

# **FY 2006 State Budget Highlights**



*Louisiana State Senate  
August 11, 2005*

**Sen. Donald E. Hines, President**

**Sen. Diana E. Bajoie, Pres. Pro Tem.**

# **FY 2006 State Budget Highlights**



**Prepared by the Senate Fiscal Services Division**

August 11, 2005

**Senator Francis Heitmeier**  
Finance Committee Chairman

**Senator Joe McPherson**  
Finance Committee Vice-Chairman

# Senate Fiscal Services

## Contact List for Budget Analysts, Including Primary Agency Assignments

Sherry Phillips-Hymel, Chief Budget Analyst and Division Director <i>State Budget, Revenue Estimating Conference, Joint Legislative Committee on the Budget</i>	225-342-8894
Kari Belvin Couvillon, Budget Analyst <i>Social Services/TANF, Corrections, Public Safety, Youth Services, Natural Resources, Wildlife and Fisheries, Environmental Quality</i>	225-342-0759
Craig Gannuch, Budget Analyst <i>Higher Education, Transportation, Saints/Hornets</i>	225-342-2372
Heather Hoolahan, Budget Analyst <i>Health and Hospitals/Medicaid, Medical Education, Charity Hospitals</i>	225-342-0607
Jay Lueckel, Senior Budget Analyst <i>Executive, Economic Development, Labor, Group Benefits</i>	225-342-0647
Linda Nugent, Senior Analyst <i>Finance Committee, Bond Commission</i>	225-342-8892
David Ray, Senior Budget Analyst <i>K-12 Education, Special Schools and Commissions/TOPS, Community and Technical Colleges, Retirement, Civil Service</i>	225-342-6212

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# Executive Summary

## Balancing the Fiscal Year 2006 Budget

### Fiscal Year 2006 Total State Budget

As passed by the legislature, the Fiscal Year 2006 (FY06) total budget is approximately \$18.7 billion, including \$7.3 billion in State General Fund.

The budget increased approximately \$930.5 million from the Fiscal Year 2005 (FY05) existing operating budget of \$17.8 billion. The largest source of the increase is in State General Fund in the amount of \$399.2 million. The second largest increase is in Federal Funds in the amount of \$267.2 million.

### Fiscal Year 2006 Executive Budget Recommendations

The challenge in constructing the FY06 budget was replacing nearly \$600 million in federal and one-time money supporting services in FY05. In order to close part of this gap, House Bill 1 (HB 1) of the 2005 Regular Session of the Legislature, which became Act 16 of the 2005 Regular Session of the Legislature (Act 16), contained three supplemental sections as introduced.

- One supplementary section was tied to the passage of a provider fee on non-state, non-rural hospitals estimated to generate \$75 million in state revenues and finance \$250.8 million in Medicaid expenditures. (As the session ended, the structure of the provider fee was altered resulting in the generation of \$89.1 million in state revenues and \$297.2 million in total revenues.)
- Another supplemental section was contingent on a \$64.6 million defeasance plan financed with the Fiscal Year 2004 (FY04) year-end surplus (\$32.9 million) and a mineral audit settlement (\$31.7 million).
- A third supplemental section was contingent on \$48.4 million in proceeds being realized from the mid-year 1.75 percent reduction to state agencies' budget in FY05 and carried forward into FY06.

Despite the supplemental funding mechanisms proposed, there were still major budget areas that remained unfunded. In essence, the Medicaid program still contained a shortfall in total funding of \$150 million when the Executive Budget was proposed. Further, other budget items still required funding sources. Such expenditure items are typically referred to as "unmet needs".

The following table highlights some of the “unmet needs” remaining after the FY06 Executive Budget was introduced.

Medicaid Program	\$150.0 million
Charity Hospitals	\$49.0 million
Final Judgments Against the State	\$20.0 million
State Police Information Technology	\$4.8 million
TOPS Tuition Increase Match	\$3.2 million

When the Revenue Estimating Conference met and recognized additional revenues for FY06 (see following section), the state was able to provide adequate funding for the “unmet needs” outstanding from the Governor’s Executive Budget Recommendations.

### **Increases in Revenue Estimates for Fiscal Years 2005 and 2006**

The Revenue Estimating Conference (REC), at its December 2004 and May 2005 meetings, increased revenue estimates for both FY05 and FY06. The estimate increases were primarily attributable to greater corporate income taxes and mineral revenues associated with higher oil prices for both FY05 and FY06. The average price per barrel of oil is estimated to be \$47.42 for FY05 and \$40.44 for FY06.

For FY05, the Revenue Estimating Conference increased the revenue forecast by \$150 million at the December 2004 meeting. At the May 2005 REC meeting, the conference increased the FY05 estimate by an additional \$192 million.

For FY06, the Revenue Estimating Conference, at its December 2004 meeting, increased the revenue forecast by \$250 million. This number represents an increase over the Long-Range Forecast utilized to initially develop the FY06 Continuation Budget and subsequently develop the proposed Executive Budget. At the May 2005 REC meeting, the conference increased the FY06 estimate by an additional \$169 million.

### **Legislative Action on the Budget**

As a result of the increase in revenues recognized at the May REC meeting, significant restorations and some enhancements were made to the proposed FY06 budget by the legislature. Major items restored or enhanced by the legislature in the FY06 budget include the following adjustments (*the amounts below do not represent total funding for any one program; instead, the amounts represent the total funding restored or enhanced by the legislature during the process*):

Department of Health and Hospitals	\$526.1 million
Higher Education	\$ 55.0 million
LSU Health Sciences Center - Health Care Services Division	\$ 51.0 million
LSU Health Sciences Center – Shreveport	\$ 21.9 million
LSU Health Sciences Center - E. A. Conway Medical Center	\$ 9.4 million
TOPS Full Funding	\$ 5.6 million
Restoration of Full Funding for the Truancy Program	\$ 1.3 million
City of New Orleans Public Services Support due to Casino	\$ 1.0 million

## **Pay Raises and Tobacco Taxes**

Another issue that arose after the budget was introduced was the debate surrounding a pay raise for teachers, college faculty, and support workers. In the end, a pay raise proposal that was contingent on an increase in tobacco taxes never materialized.

In the early days of the session, a proposal for salary increases for teachers, college faculty and support workers was developed and amended into HB 1. The revenue source was the \$1 increase in the tax on cigarette packs that would be authorized with the enactment of House Bill 437 (HB 437) of the 2005 Regular Session of the Legislature. The House Appropriations Committee added the contingency appropriation to the appropriation bill when the passage of HB 437 seemed possible.

However, HB 437 was never called from the calendar for a vote on the House Floor and the pay raise proposal was removed from HB 1.

## **Budget Overview**

The following sections highlight some of the major programs contained in the FY06 budget.

### **Health Care Services**

#### **Louisiana's Medicaid Program**

Overall, the Medicaid program is funded in FY06 at \$5.6 billion for reimbursements to health care providers of medical services to Medicaid clientele and the uninsured, with \$371.3 million in growth over the FY05 budget, assuming all contingent funding is realized.

- In response to projected increases in both costs and utilization of services, the FY06 budget includes an addition of roughly \$333.6 million for payments to various health care providers of medical services to Medicaid clientele and the uninsured.
- Due to increases in Medicare premium costs and utilization, \$49.7 million has been added to fully fund the anticipated costs of buying dual Medicaid/Medicare eligible individuals into the Medicare program.
- The \$12 million in funding for the Auxiliary Program has been non-recurred in FY06 as the state will no longer be able to generate revenues via intergovernmental transfers.



A substantial component of the Medicaid program's financing for FY06 (and future fiscal years) is the passage of a hospital provider fee during the 2005 Legislative Session.

- Act 182 (HB 887) of the 2005 Regular Session of the Legislature, also referred to as the Healthcare Affordability Act, assesses a 1.5 percent fee on total net patient revenue of non-state, non-federal, non-rural, non-rehabilitation, non-psychiatric, and non-long-term-acute-care hospitals.
- In FY06, the provider fee on hospitals will generate \$89.1 million in revenues for the state that will be matched with \$208.1 million in Federal Funds to produce a total of \$297.2 million in funding for Medicaid and Uncompensated Care Costs payments to hospitals and other health care providers.

### **Charity Hospitals**

The Health Care Services Division (HCSD) faced a significant shortfall in revenues versus projected expenditures in FY06 in the original version of the budget.

- The legislature added \$20.1 million in uncompensated care costs payments to ensure continuity in service provision for the uninsured in FY06 and \$24.8 million in additional Medicaid claims payments based on the most recent projections of needed service provision in FY06.
- These actions, in conjunction with all actions taken by the legislature on HCSD's FY06 budget, result in estimated total financing for the eight hospitals of \$920 million.

University Hospital in Shreveport and E. A. Conway Medical Center in Monroe also faced shortfalls as the budget was originally presented to the legislature.

- The legislature added \$19.6 million in additional uncompensated care costs payments to University Hospital to continue FY05 service levels into FY06 resulting in \$279.2 million in total budgeted revenues for University Hospital in FY06.
- E. A. Conway Medical Center received \$9.1 million in additional uncompensated care costs payments to continue FY05 service levels into FY06. The additional payments bring the total budget for E. A. Conway Medical Center to \$77.6 million in FY06.

## **Social Services**

### **Temporary Assistance to Needy Families (TANF) Initiatives**

Unlike prior years, when initiative programs have been added or removed and allocation amounts have been altered, there were very few changes to funding for Temporary Assistance to Needy Families (TANF) initiatives for FY06.

- The only major fiscal change was the addition of \$500,000 for abortion alternatives placed in HB 1 by the House.
- The Senate made a structural change to the administration of one of the initiative programs by amending HB 1 to move Teen Pregnancy Prevention from the Department of Education back to the Department of Social Services for administration and monitoring of the program.
- In the end, a total of \$52.1 million has been allocated from the TANF block grant for initiatives for FY06. The chart below outlines these programs.

<b>FY06 TANF Initiatives</b>	
<b>Initiatives</b>	<b>Amount</b>
<b>Literacy</b>	
Public Pre-K (LA4)	\$ 17,000,000
Private Pre-K	\$ 8,500,000
After-school programs	\$ 9,500,000
Truancy and assessment services	\$ 700,000
<b>Sub-total:</b>	<b>\$ 35,700,000</b>
<b>Employment</b>	
Micro-enterprise development	\$ 750,000
Teen pregnancy	\$ 5,500,000
CASA	\$ 3,000,000
Drug courts	\$ 5,000,000
<b>Sub-total:</b>	<b>\$ 14,250,000</b>
<b>Other</b>	
Individual Development Accounts (IDA's)	\$ 1,000,000
Earned Income Tax Credit (EITC)	\$ 315,000
Foster Care Developmental and Socialization Activities Program	\$ 325,000
Abortion Alternatives	\$ 500,000
<b>Sub-total:</b>	<b>\$ 2,140,000</b>
<b>GRAND TOTAL:</b>	<b>\$ 52,090,000</b>

## **Educational Services**

### **K-12 Education**

The legislature fully funded the Minimum Foundation Program (MFP) formula for providing basic state aid to local schools.

- The MFP is funded at \$2.7 billion for FY06, an increase of about \$51 million over the budget for FY05, due mainly to a built-in 2.75 percent increase.
- The MFP provides \$31.4 million for teacher pay raises in fifty-four of the state's sixty-eight parish and city school districts, but there is a wide variance in the amount available for each

school system. The proposed raises range from \$0 to \$1,791 for the 59,000 school employees who hold teaching certificates. The average raise is \$530.

- Teachers in fourteen school systems will receive no raises through the MFP formula because their respective school systems will receive either the same funding or less funding than they received in FY05 due to student enrollment declines and/or a calculation of the systems' capabilities and efforts to raise local revenues that can be spent on public schools.
- Act 138 (HB 842) of the 2005 Regular Session of the Legislature, the FY05 Supplemental Appropriation Act, provides \$12.5 million outside of the MFP formula for a one-time salary supplement to all certificated school employees who otherwise would not receive the average \$530 raise.

Act 16 contains a total of \$69 million for the LA4 Pre-Kindergarten Program in FY06.

- This is a \$20 million increase to expand the LA4 Program's public school classes for at-risk four-year-olds in FY06.
- With this increase, LA4 is funded to serve a total of 36,400 at-risk four-year-olds. This represents 91.4 percent of the state's at-risk Pre-K population.

## **TOPS**

The Tuition Opportunity Program for Students (TOPS) is fully funded at \$122.6 million for 42,567 students in FY06.

- The legislature appropriated \$1 million in Act 16 to fund the new TOPS Tech – Early Start Program, pursuant to Act 348 (SB 355) of the 2005 Regular Session of the Legislature. The new law allows high school students to enroll in community and technical colleges before they get their high school diploma. They will be able to get their tuition paid through TOPS.

## **Higher Education**

A total of \$51.5 million was added to Higher Education in FY06 to address growth in operating expenses.

- The legislature appropriated an additional \$23.9 million to Higher Education to fund mandated costs including merit increases, group insurance, and retirement costs.
- The three-percent tuition increase approved by the Joint Legislative Committee on the Budget in March 2005 totals \$17.6 million in FY06 and is appropriated to the various higher education systems for general operating expenses.
- Act 16 also contains \$10 million in new funding from the Higher Education Initiatives Fund for operational expenses to be distributed to the colleges and universities. The appropriation

is also intended to fund the continued growth and development of community and technical colleges and learning centers.

In addition, two campuses had specific needs that the legislature addressed above the overall funding provided to the rest of the higher education institutions.

- The School of Pharmacy at the University of Louisiana at Monroe received an additional \$2 million for expenditures necessary in FY06 to assist in the maintenance of the accreditation of the school.
- The legislature appropriated an additional \$2 million in funding for the LSU Agricultural Center for operational expenses and vocational agricultural education.

The legislature appropriated additional funding to Higher Education for the enhancement of certain programs in FY06.

- An appropriation of \$12 million to the Board of Regents will be used to match \$18.6 million in donations to create a funding pool of \$30.6 million for endowed chairs and professorships in FY06.
- Act 16 includes an additional \$3 million in funding, for a total of \$6.6 million, for the Board of Regents for the Health Care Workforce Development initiative to support a new class of nursing and allied health students.

## **Public Safety and Corrections Services**

### **Corrections Services**

The most significant changes in the Department of Corrections for FY06 are two expansion projects at Dixon Correctional Institute and Wade Correctional Center.

- The project at Dixon is a 220-bed trustee dormitory scheduled to be completed by August 2005. This project costs approximately \$864,154 and requires an additional 11 positions.
- The project at Wade is a 50-bed skilled nursing unit scheduled to be completed by January 2006. This project costs approximately \$1.5 million and adds 53 positions.

### **Public Safety Services**

The budget for the Office of State Police increased by \$17 million in FY06 due mainly to increasing technological and staffing needs.

- A total of \$7.8 million was been added to the Office of State Police for information technology upgrades to the AFIS system, the automated fingerprinting system for the department, in FY06.

- A total of \$2.9 million was provided for acquisition of a new video poker computer monitoring system in the Office of State Police.
- Fifteen positions were added in State Police for placement and training of a new cadet class. Nine positions were added in Traffic Enforcement; two positions in Criminal Investigation; and four positions in Gaming Enforcement. The total cost for these positions is \$970,220.

## **Youth Services**

Recognizing the need for additional community-based services for juvenile offenders, Act 16 contains an increase of \$899,264 out of the Youthful Offender Management Fund in the budget of the Office of Youth Development for this purpose.

## **General Government Services**

### **Executive**

No adjustments were made to the total funding for the Urban and Rural Grant Programs in FY06.

- The FY06 budget contains \$8.3 million in funding for the Urban Grants program.
- The Rural Development Grants program is budgeted at \$7.6 million in FY06.

The Executive Department received additional funding from the legislature for a few significant initiatives and to comply with financial obligations of the state in FY06.

- The FY06 Executive Office budget contains an additional \$1 million to enhance support for the Louisiana Indigent Defense Assistance Board.
- The Division of Administration received \$975,000 in FY06 for the Tournament Players Club (TPC) Golf Facility Cooperative Endeavor Agreement due to a shortfall in the number of golf rounds booked through New Orleans area hotels.
- New funding totaling \$500,000 is provided to the Emergency Preparedness Program in the Department of Military Affairs for the Southern Anti-terrorist Regional Training Academy.

The \$49.4 million appropriation to the Louisiana Stadium and Exposition District (LSED) is estimated to be roughly \$8.9 million short of the amount needed to meet district obligations in FY06. Of that shortfall, \$7.8 million may be attributed to contractual obligations with the New Orleans Saints.

- The State Bond Commission approved the issuance of \$10.5 million in revenue anticipation notes to address the FY05 revenue shortfall experienced by the District. The funds were used to make payments on the Saints retention guarantee (about \$7.8 million), the Hornets attendance guarantee (about \$700,000), and to address general operating expenditures (\$1.8 million).

- Act 430 (HB 393) of the 2005 Regular Session of the Legislature provides a future funding stream to assist the state in meeting future contractual obligations with NFL and NBA franchises.
- After net slot machine proceeds at the New Orleans racetrack are provided to various entities at specific rates or amounts, the remainder of the revenues generated will be deposited into the New Orleans Sports Franchise Assistance Fund (NOSFAF).
- The sole use of monies from NOSFAF is to meet contractual obligations made with NFL and NBA teams located in Orleans Parish.

## **Elected Officials**

### Secretary of State

Act 16 provides an additional \$1.1 million to the Secretary of State's Museum and Other Operations Program to enhance and expand the operations of various state and local museums across Louisiana.

The legislature appropriated an additional \$709,223 to the Secretary of State's Elections Program to provide for merit increases for employees of the Registrars of Voters throughout the state.

### Attorney General

The staff of the Department of Justice is expanding in FY06 to better efforts in fraud detection and prevention and risk litigation.

- The Attorney General's Medicaid Fraud Control Unit is slated to receive an additional \$2.1 million and 25 positions in an effort to enhance fraud and abuse detection and fraud prevention activities. Further, the funding will allow the Attorney General to better pursue collections on judgments previously awarded.
- Act 16 provides an additional \$1.9 million and 28 positions to expand the Department of Justice's Risk Litigation offices in New Orleans and Shreveport. Increasing the legal staffs in these regional offices will allow the Attorney General to handle more risk litigation cases in-house and give staff the opportunity to specialize in key types of risk litigation within geographic areas.

The legislature appropriated \$460,000 for civil legal services for the poor for FY06.

- This represents a \$160,000 increase in funding for these services over the FY05 level.
- The funds will be divided equally among four regional legal services corporations across the state.

## **Economic Development**

Act 16 contains \$10 million for the Rapid Response Fund pursuant to Act 398 (HB 460) of the 2005 Regular Session of the Legislature.

- Act 398 establishes the Rapid Response Fund in the state treasury for the purpose of economic development and requires future deposits of State General Fund to maintain the fund's unencumbered balance at \$10 million at the beginning of each fiscal year.
- The Act further requires reporting to the Joint Legislative Committee on the Budget regarding the department's use of monies in the fund each October and April.

The Department of Economic Development (DED) received \$3.6 million in one-time funding for advertising and marketing out of the Marketing Fund.

DED received \$1.5 million in new funding for the England Economic and Industrial Development District for the first year of a fifteen-year commitment for debt service on public infrastructure construction for the Union Tank Car manufacturing facility.

## **Other Government Services**

### **Retirement Systems**

Act 138 (HB 842) of the 2005 Regular Session of the Legislature, the FY05 Supplemental Appropriation Act, provided an additional \$20 million to local school boards to help them defray the rising costs of pension benefits for their employees.

### **Sheriffs' Housing of State Inmates**

Sheriffs' Housing has been funded at \$156.2 million for FY06 to provide per diem for approximately 18,000 state inmates housed in local jails and detention centers.

### **Supplemental Payments to Law Enforcement Personnel**

The total level of Supplemental Pay was provided at \$69.9 million for FY06. Of this amount, \$22.6 million is paid to municipal police; \$18 million to local firefighters; \$710,000 to constables and justices of the peace; and \$28.6 million to deputy sheriffs.

# Fiscal Year 2006 State Budget Highlights

## Balancing the Budget

### **Total Fiscal Year 2006 State Budget**

As passed by the legislature, the FY06 total budget is approximately \$18.7 billion, including \$7.3 billion in State General Fund.

The budget increased approximately \$930.5 million from the FY05 existing operating budget (EOB) of \$17.8 billion. Almost one-half of the increase is in State General Fund in the amount of \$399.2 million. The second largest increase is in Federal Funds in the amount of \$267.2 million.

Federal funding increased in FY06 as compared to FY05. The increase occurred even with the loss of the excess 75 percent Disproportionate Share payments that were used to finance the provision of health care services totaling approximately \$256.7 million in FY05. Conversely, the FY05 budget had experienced a decrease in federal funding compared to the FY04 budget. In FY04, the state had received a large influx of federal dollars when Congress provided the states with general and Medicaid fiscal relief packages. Such funding was not continued for FY05.

### **Fiscal Year 2006 Executive Budget Recommendations**

The challenge in constructing the FY06 budget was replacing nearly \$600 million in federal and one-time money supporting services in the FY05 budget.

As proposed, HB 1 contained three supplemental sections: one tied to the passage of a provider fee on certain types of hospitals, a second dependent upon the adoption of a debt defeasance plan; and the third contingent on the realization of savings from the mid-year savings target imposed by the Governor on state agencies.

Despite the supplemental funding mechanisms proposed, there were still major budget areas that remained unfunded. In essence, the Medicaid program still contained a shortfall in total funding of \$150 million when the Executive Budget was proposed. Further, other budget items still required funding sources. Such expenditure items are typically referred to as “unmet needs”.

The table on the following page highlights some of the “unmet needs remaining after the FY06 Executive Budget was introduced.



### Total Funding Required for Unmet Needs

Medicaid Program	\$150.0 million
Charity Hospitals	\$49.0 million
Final Judgments against the State	\$20.0 million
State Police Information Technology	\$4.8 million
TOPS Tuition Increase Match	\$3.2 million

When the Revenue Estimating Conference met and recognized additional revenues for FY06 (see following section), the state was able to provide adequate funding for the “unmet needs” outstanding from the Governor’s Executive Budget Recommendations.

### Increases in Revenue Estimates for Fiscal Year 2005 and Fiscal Year 2006

The Revenue Estimating Conference (REC), at its December 2004 and May 2005 meetings, increased revenue estimates for both FY05 and FY06. The estimate increases were primarily attributable to greater corporate income taxes and mineral revenues associated with higher oil prices for both FY05 and FY06. The average price per barrel of oil is estimated to be \$47.42 for FY05 and \$40.44 for FY06.

For FY05, the Revenue Estimating Conference increased the revenue forecast by \$150 million at the December 2004 meeting. At the May 2005 REC meeting, the conference increased the FY05 estimate by an additional \$192 million.

For FY06, the Revenue Estimating Conference, at its December 2004 meeting, increased the revenue forecast by \$250 million. This number represents an increase over the Long-Range Forecast utilized to initially develop the FY06 Continuation Budget and subsequently develop the proposed Executive Budget. At the May 2005 REC meeting, the conference increased the FY06 estimate by an additional \$169 million.

## Legislative Action on the Budget

As a result of the increase in revenues recognized at the May REC meeting, significant restorations and some enhancements were made to the proposed FY06 budget by the legislature.

Major items restored or enhanced by the legislature in the FY06 budget include the following adjustments (*the amounts below do not represent total funding for any one program; instead, the amounts represent the total funding restored or enhanced by the legislature during the process*):

Department of Health and Hospitals	\$526.1 million
Including \$499.1 million for the Medicaid administrative and services programs,	
\$8.3 million for Public Health Services,	
\$9.4 million for Mental Health Services,	
\$2.3 million for Developmental Disabilities Services,	
and \$1.0 million for Addictive Disorders Services.	
Higher Education	\$55.0 million
LSU Health Sciences Center - Health Care Services Division	\$51.0 million
LSU Health Sciences Center – Shreveport	\$21.9 million
LSU Health Sciences Center - E. A. Conway Medical Center	\$ 9.4 million
TOPS Full Funding	\$ 5.6 million
Including \$1.0 million for TOPS Tech Awards	
Restoration of Full Funding for the Truancy Program	\$ 1.3 million
City of New Orleans Public Services Support due to Casino	\$ 1.0 million

## Pay Raises and Tobacco Taxes

Another issue that arose after the budget was introduced was the debate surrounding a pay raise package for teachers, college faculty, and support workers. In the end, a pay raise proposal that was contingent on an increase in tobacco taxes never materialized.

In the early days of the session, a proposal for salary increases for teachers, college faculty and support workers was developed and amended into HB 1. The revenue source was the \$1 increase in the tax on cigarette packs that would be authorized with the enactment of House Bill 437 (HB 437) of the 2005 Regular Session of the Legislature. The House Appropriations Committee added the contingency appropriation to the appropriation bill when the passage of HB 437 seemed possible.

However, HB 437 was never called from the calendar for a vote on the House Floor and the pay raise proposal was removed from HB 1.

# The Revenue Picture

## Fiscal Year 2006 Revenue

The official FY06 State General Fund revenue estimate, as adopted by the Revenue Estimating Conference at its May 2005 meeting, is \$7.3 billion. This represents an increase of \$169 million over the last official forecast for FY06, which was adopted at the December 2004 meeting. The estimate increases were primarily attributable to greater corporate income taxes and mineral revenues resulting from higher oil prices.

### Supplemental Revenue Sources in Act 16

As proposed, HB 1 contained three supplemental sections.

- One supplementary section was tied to the passage of a provider fee on non-state, non-rural hospitals estimated to generate \$75 million in state revenues and finance \$250.8 million in Medicaid expenditures. As the session ended, the structure of the provider fee was altered resulting in the generation of \$89.1 million in state revenues and a total of \$297.2 million.
- Another supplemental section was contingent on a \$64.6 million defeasance plan financed with the FY04 year-end surplus (\$32.9 million) and a mineral audit settlement (\$31.7 million).
- A third supplemental section was contingent on \$48.4 million in proceeds being realized from the mid-year 1.75 percent reduction to state agencies' budget in FY05 and carried forward into FY06.

### Use of the Fiscal Year 2004 Surplus and Budget Stabilization Fund Balances

The FY04 year-end balance indicated a surplus of \$43.9 million.

- As required by the Constitution, 25 percent of the surplus was deposited into the Budget Stabilization Fund (Rainy Day Fund), amounting to approximately \$11 million.
- The remaining amount (\$32.9 million) was utilized in the FY05 Supplemental Appropriation Act (Act 138 [HB 842] of the 2005 Regular Legislative Session) to fund a debt defeasance plan.

The deposit of approximately \$11 million into the Rainy Day Fund brings the balance of that fund up to an estimated \$239.3 million for FY04.

Since inception, mineral revenue in excess of the cap has proved to be the largest portion of the total balance in the Budget Stabilization Fund. Other sources of revenues deposited into the fund include:

- Year-end Undesignated Fund Balances;
- Interest Earnings;
- One-time Casino Proceeds;
- Legal Settlements; and,
- Tax Amnesty Program Proceeds.

The Budget Stabilization Fund has been utilized once since its inception in FY99, when \$86.3 million was used in FY03.

<b>BUDGET STABILIZATION FUND</b>	
Fiscal Year 98-99	\$ 23,604,791
Fiscal Year 99-00	\$ 59,464,829
Fiscal Year 00-01	\$ 196,700,379
Fiscal Year 01-02	\$ 266,173,483
Fiscal Year 02-03*	\$ 191,140,116
Fiscal Year 03-04	\$ 239,343,931
Fiscal Year 04-05	\$ 255,356,514
*Note: First withdrawal from the Rainy Day Fund in the amount of \$86 million	

### **The Budget Stabilization Fund and The Impact of Future Changes in Mineral Revenue Collections**

The balance in the Budget Stabilization Fund at the end of FY04 was approximately \$239.3 million.

At the May 2005 Revenue Estimating Conference meeting, the conference recognized an additional \$75.1 million in mineral revenue for FY05. This amount is above and beyond both the earlier deposits of \$137.1 million in excess mineral revenues and the \$850 million already incorporated into the general fund balance for FY05. This action brought the total for deposit in FY05 from mineral revenue to \$212.3 million. When the fund balance is adjusted to reflect the additional mineral revenues for FY05, the Budget Stabilization Fund will grow to \$451.6 million. This projected fund balance does not include any deposits from other revenue sources for FY05.

Also at its May 2005 meeting, the conference recognized an additional \$181 million in mineral revenue for FY06. This amount is above and beyond both the earlier projected deposits into the Budget Stabilization Fund in the amount of \$3.5 million and the \$850 million already incorporated into the general fund balance for FY06. The newly recognized amounts, when added to the projected FY05 balance explained above of \$451.6 million, brings the balance in the fund to \$636.1 million [\$451.6 million from the FY05 year-end projected balance (again, this balance does not include deposits from other revenue sources) plus the estimated FY06 mineral revenue deposits of \$184.5 million].

In summary, as provided by law, the maximum amount allowable (\$850 million) in mineral revenue has already been incorporated into the State General Fund for the FY06 budget. Therefore, any additional mineral revenue generated during the course of FY06 by higher than estimated oil prices will be deposited into the Budget Stabilization Fund.

# Tobacco Settlement Funds

## Settling the Tobacco Lawsuit

In the late 1990s, Louisiana joined in a nationwide lawsuit against to sue the tobacco industry for the costs incurred by the states for treating smoking-related illnesses. In 1998, in an unprecedented victory, the states won the suit and are now receiving payments in perpetuity from the tobacco companies as specified in the Master Settlement Agreement.

## Trusting the Tobacco Settlement Proceeds

The Louisiana Legislature proposed a constitutional amendment to trust the monies received from the Master Settlement Agreement similar to the manner in which the state chose to trust monies received in the settlement agreement between the State of Louisiana v. United States relative to monies attributable to mineral production activities or leasing activities on the Outer Continental Shelf. Monies from that settlement are deposited in the Louisiana Education Quality Trust Fund, commonly referred to as the 8(g) settlement, which has a current balance of \$973 million.

The amendment to trust the tobacco settlement proceeds was ratified by the Louisiana voters in October 1999.

## The Trust Funds

### The Millennium Trust

The Millennium Trust received the following allocations from tobacco settlement proceeds:

- In FY01, 45 percent of the total monies received that year.
- In FY02, 60 percent of the total monies received that year.
- In FY03, and each year thereafter, 75 percent of the total monies received that year.
- For FY01 through FY03, 10 percent of the total monies received in the Millennium Trust were credited to the Education Excellence Fund for various educational purposes.

The Millennium Trust Fund is divided into three individual funds:

- The **Health Excellence Fund** receives one-third of the Settlement Agreement proceeds deposited each year into the Millennium Trust and one-third of all investment earnings on the investment of the Millennium Trust. Appropriations from the Health Excellence Fund are restricted to investment earnings and shall only be spent on:

- Initiatives to ensure optimal development of Louisiana’s children through the provision of appropriate health care.
- The **Education Excellence Fund** receives one-third of the Settlement Agreement proceeds deposited each year into Millennium Trust and one-third of all investment earnings on the investment of the Millennium Trust. Appropriations from the Education Excellence Fund are restricted to investment earnings and shall only be spent on:
  - Initiatives and funding for public and private elementary and secondary schools.
- The **TOPS Fund** receives one-third of the Settlement Agreement proceeds deposited each year into Millennium Trust and one-third of all investment earnings on the investment of the Millennium Trust. Appropriations from the TOPS Fund are restricted to investment earnings and shall only be spent on:
  - Support of state programs for financial assistance for students attending Louisiana institutions of postsecondary education.

#### The Louisiana Fund

The Louisiana Fund receives all monies remaining after the mandated deposits into the Millennium Trust Fund. Appropriations from the Louisiana Fund are restricted to:

- Initiatives to ensure the optimal development of Louisiana’s children through enhancement of educational opportunities and the provision of appropriate health care, which includes, but is not limited to:
  - Early childhood intervention programs targeting children from birth through age four, including programs to reduce infant mortality;
  - Support of state programs for children’s health insurance; and,
  - School-based health clinics, rural health clinics, and primary care clinics.
- Initiatives to benefit the citizens of Louisiana with respect to health care through pursuit of innovation in advances of health care science, provision of comprehensive chronic disease management services and expenditures for capital improvements for state care facilities.
- Provision of direct health care services for tobacco-related illnesses.
- Initiatives to diminish tobacco-related injury and death to Louisiana’s citizens through educational efforts, cessation assistance services, promotion of a tobacco-free lifestyle and enforcement of the requirements of the Settlement Agreement by the Attorney General.

## **Securitization of the Tobacco Settlement Proceeds**

Act 1145 of the 2001 Regular Session provided for the securitization of a portion of Louisiana's tobacco settlement. The purpose of securitizing a portion of the monies was to hedge the prospect of tobacco companies going bankrupt and the state losing future prospective earnings.

- In November of 2001, the state executed the securitization of 60 percent of tobacco settlement monies and netted approximately \$1.2 billion.
- All proceeds from the sale were deposited into the Millennium Trust and allocated as specified in the Constitution.

Act 1210 of the 2003 Regular Session authorizes, after June 30, 2003, the securitization of the remaining portion of the tobacco settlement proceeds subject to the approval of the State Bond Commission, the Joint Legislative Committee on the Budget, and by a majority vote of the legislature, if the legislature is in session, or by mail ballot during the interim.

Effective on January 1, 2004, as ratified by the voters on November 4, 2003, the Louisiana Coastal Restoration Fund was established and can be funded with up to 20 percent of the revenues received as a result of a securitization of tobacco settlement proceeds occurring after July 1, 2003, in the event the federal government appropriates funding for coastal restoration from which Louisiana will receive some portion.

- The amount to be transferred from the Millennium Trust Fund shall be limited to the funding necessary to match the maximum amount of federal funding available to Louisiana and shall not, in any case, exceed 20 percent of revenues realized by the securitization.
- The transfer shall be spread evenly across the three special funds comprising the Millennium Trust Fund – one-third from the Health Excellence Fund, one-third from the Education Excellence Fund and the final one-third from the TOPS Fund.

At this time, there has not been an additional securitization of the remaining tobacco settlement proceeds.



## SUMMARY OF TOBACCO SETTLEMENT PROCEEDS EXPENDITURES

EXPENDITURES BY FUND	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
<b>LOUISIANA FUND</b>						
Settlement Enforcement by the Attorney General	\$350,000	\$350,000	\$362,074	\$341,260	\$350,000	\$350,000
LaCHIP	\$13,000,000	\$15,407,900	\$374,444	\$0	\$2,343,018	\$1,442,635
Medicaid	\$31,000,000	\$19,222,100	\$5,800,000	\$247,033	\$2,907,249	\$2,921,696
School-Based Health Centers	\$5,760,863	\$6,620,000	\$6,620,000	\$6,884,800	\$7,160,192	\$7,300,788
Public Health Smoking Prevention and Cessation Grants	\$500,000	\$600,000	\$600,000	\$500,000	\$500,000	\$500,000
Starting Points Preschool Program	\$1,489,137	\$1,489,137	\$1,489,137	\$1,489,137	\$0	\$0
Higher Education Health Care Science Grants	\$13,165,000	\$17,767,277	\$11,340,000	\$4,691,161	\$2,129,666	\$2,093,361
LSU Health Sciences Center - New Orleans	\$0	\$3,100,000	\$0	\$0	\$0	\$0
LSU Health Sciences Center - Shreveport	\$0	\$3,500,000	\$0	\$0	\$0	\$0
LSU Health Sciences Center - Health Care Services Division - Disease Management Program	\$0	\$3,550,000	\$3,494,000	\$0	\$0	\$0
<b>TOTAL</b>	<b>\$65,265,000</b>	<b>\$71,606,414</b>	<b>\$30,079,655</b>	<b>\$14,153,391</b>	<b>\$15,390,125</b>	<b>\$14,608,480</b>
<b>EDUCATION EXCELLENCE FUND</b>						
Fund Investment Fees	\$0	\$0	\$257,033	\$257,033	\$257,033	\$257,033
Per Pupil Allocation to Special Schools Operated by the State	\$255,000	\$543,139	\$394,349	\$396,850	\$393,735	\$393,317
K-12 Educational Programs Operated by Local Schools (Includes the Allocations for Public, Private, and Charter Schools)	\$14,300,604	\$117,116,671	\$19,835,160	\$15,778,302	\$12,452,518	\$14,159,553
<b>TOTAL</b>	<b>\$14,555,604</b>	<b>\$117,659,810</b>	<b>\$20,486,542</b>	<b>\$16,432,185</b>	<b>\$13,103,286</b>	<b>\$14,809,903</b>
<b>HEALTH EXCELLENCE FUND</b>						
Fund Investment Fees	\$0	\$0	\$257,033	\$257,034	\$257,034	\$257,034
LaCHIP	\$0	\$200,000	\$11,389,190	\$0	\$0	\$0
Medicaid	\$0	\$0	\$3,811,443	\$10,625,094	\$7,637,893	\$12,469,170
Higher Education Health Care Science Grants	\$300,000	\$1,400,000	\$300,000	\$5,624,261	\$5,270,483	\$2,317,129
<b>TOTAL</b>	<b>\$300,000</b>	<b>\$1,600,000</b>	<b>\$15,757,666</b>	<b>\$16,506,389</b>	<b>\$13,165,410</b>	<b>\$15,043,333</b>
<b>TOPS FUND</b>						
Fund Investment Fees	\$0	\$0	\$257,033	\$257,033	\$257,033	\$257,033
TOPS	\$300,000	\$2,114,941	\$13,684,158	\$16,606,511	\$12,846,271	\$14,786,282
<b>TOTAL</b>	<b>\$300,000</b>	<b>\$2,114,941</b>	<b>\$13,941,191</b>	<b>\$16,863,544</b>	<b>\$13,103,304</b>	<b>\$15,043,315</b>

Source: Louisiana Office of Planning and Budget

## Legislation Passed During the 2005 Regular Session with General Fund Expenditure Impact

The following chart exhibits legislation passed during the 2005 Regular Session that has a significant impact on State General Fund expenditures. The chart is not inclusive of all legislation passed with a State General Fund impact, but does present those instruments that had a key budgetary effect or were cited in Act 16.

<b>2005 Regular Session Key Legislation with General Fund Expenditure Impact</b>					
<b>2005 Regular Session</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>
<b>HB30 (Act 407)</b> - Provides with respect to financial security for survivors of law enforcement officers and firefighters. The new law increases the benefit to a surviving spouse or to surviving children if there is no spouse. Also, removes parents from those persons eligible for payment of benefits.	\$ 714,000	\$ 714,000	\$ 714,000	\$ 714,000	\$ 714,000
<b>HB387 (Act 429)</b> - Authorizes the Sabine River Authority to create and to maintain a law enforcement division, provided funding is available.	\$ 673,000	\$ 400,865	\$ 420,355	\$ 433,984	\$ 615,066
<b>HB432 (Act 178)</b> - Authorizes the use of the request for proposal for the procurement of certain supplies, services, or major repairs. The contract for the project must be submitted to the Joint Legislative Committee on the Budget for approval. The Office of State Purchasing indicates the use of the RFP process will likely provide for decreased expenditures because it will be able to negotiate better overall prices and services.	Decrease	Decrease	Decrease	Decrease	Decrease
<b>HB628 (Act 440)</b> - Creates the Louisiana Initiative for Small Entrepreneurships, aka the Hudson Initiative. To qualify for certification, an entity must have fewer than 50 full-time employees with annual gross receipts not exceeding \$5 million per year for construction operations and \$3 million per year for non-construction operations, for each of the previous 3 tax years.	Increase	Increase	Increase	Increase	Increase
<b>SB51 (Act 321)</b> - Provides with respect to financial security for surviving spouses or parents of firefighters and law enforcement officers. The new law increases the benefits to a surviving spouse, or to surviving children if there is no spouse, or to a named beneficiary if there are no children, or to the estate of the deceased in any other case. Also requires each officer and firefighter to complete a beneficiary designation form.	\$ 238,000	\$ 238,000	\$ 238,000	\$ 238,000	\$ 238,000
<b>SB311 (Act 502)</b> - Creates the Louisiana Waterways Infrastructure and Development Fund and the Louisiana Waterways Infrastructure Development Bank. The fund shall only be used for waterside infrastructure and development projects whose sole purpose is for the transportation of goods, people, and cargo for intrastate, interstate, and international commerce approved by the Louisiana Waterways Infrastructure Development Bank board.	Subject to Annual Appropriation	Subject to Annual Appropriation	Subject to Annual Appropriation	Subject to Annual Appropriation	Subject to Annual Appropriation
<b>SB318 (Act 503)</b> - Increases the penalty for false reports or information concerning missing children, provides additional conditions of probation or parole in certain cases, and provides for a pre-Amber Alert action plan. These provisions shall be implemented provided funding is available.	\$3,000,000	\$1,700,000	\$1,800,000	\$1,900,000	\$2,000,000

## Legislation Passed During the 2005 Regular Session with General Fund Revenue Impact

The following chart exhibits legislation passed during the 2005 Regular Session that has a significant impact on State General Fund revenue. The chart is not inclusive of all legislation passed with a fiscal note, but does present those instruments that had a key revenue impact.

### Legislation Passed During the 2005 Regular Session with General Fund Revenue

Bill No.	Act No.	Summary	FY06	FY07	FY08	FY09	FY10
HB 78	ACT 397	TAX/TAXATION: Exempts state and local sales tax on repairs of rail rolling stock in interstate commerce.	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
HB 90	ACT 410	TAX SALES/USE: Provides that a certain nonprofit carnival activities are not taxable under state and local sales and use taxes.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE
HB 128	ACT 471	TAX SALES-USE, STATE: Defines "manufacturer" to include certain agricultural activities for purposes of the exemption for manufacturing machinery and equipment.	(\$137,000)	(\$262,000)	(\$420,000)	(\$550,000)	(\$690,000)
HB 212	ACT 357	TAX SALES-USE, STATE-EXEMPT: Extends exemption for purchases and leases of educational materials and equipment used for classroom instruction by nonpublic schools through June 30,2009	(\$582,000)	(\$582,000)	(\$582,000)	(\$582,000)	\$0
HB 224	ACT 420	FUNDS/FUNDING: Increases the balance in the Department of Justice's Legal Support Fund dedicated to support the Department of Justice.	\$0	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)
HB 268	ACT 475	FUNDS/FUNDING: Dedicates a portion of revenues derived from the Pari-mutuel Live Racing Facility Gaming Control Fund for the Compulsive and Problem Gaming Fund.	(\$459,000)	(\$459,000)	(\$459,000)	(\$459,000)	(\$459,000)
HB 304	ACT 364	TAX SALES-USE, STATE: Provide a state sales tax exclusion for purchases of natural gas to be held, used, or consumed in providing natural gas storage services or operating natural gas storage facilities.	(\$700,000)	(\$700,000)	(\$700,000)	(\$700,000)	(\$700,000)
HB 356	ACT 424	ECONOMIC DEVELOPMENT: Defines qualified equity investment and qualified low-income community investments for purposes of the new markets tax credit.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE
HB 393	ACT 430	GAMING/REVENUE: Increases the amount of monies dedicated for deposit into the Beautification and Improvement of the New Orleans City Park Fund from the Pari-mutuel Live Racing Facility Gaming Control Fund.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE
HB 420	ACT 497	TAX/INCOME-CREDIT: Establishes an income tax credit for the rehabilitation of residential structures in certain areas.	\$0	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)
HB 428	ACT 481	ENERGY/ALTERNATE: Authorizes the State Mineral Board with the Department of Natural Resources to lease state lands and water bottoms for the exploration, development, and production of energy from wind.	\$0	\$150	\$147,000	\$147,000	\$147,000

Bill No.	Act No.	Summary	FY06	FY07	FY08	FY09	FY10
HB 460	ACT 398	FUNDS/FUNDING: Establishes the Rapid Response Fund in the state treasury for purposes of economic development and provides for the dedication and deposit of certain monies into the fund.	(\$10,000,000)	DECREASE	DECREASE	DECREASE	DECREASE
HB 513	ACT243	TAX/SALES-USE, STATE-EXEMPT: Repeals restriction on the exclusion from state sales tax and use tax for certain television and radio broadcast equipment which limited the exclusion to purchases mandated by the FCC.	(\$190,000)	(\$194,000)	(\$198,000)	(\$202,000)	(\$206,000)
HB 602	ACT 439	TAX/TAXATION: Extends tax credit for the rehabilitation of historic structures located in a downtown development district.	\$0	\$0	\$0	(\$1,400,000)	(\$1,500,000)
HB 627	ACT 400	TAX CREDITS: Establishes the Angel Investor Tax Credit Program.	\$0	(\$1,000,000)	(\$2,000,000)	(\$3,000,000)	(\$4,000,000)
HB 630	ACT 253	PROPERTY/PUBLIC: Authorizes sale of state land in Iberia Parish.		\$0	\$0	\$0	\$0
HB 631	ACT 485	TAX CREDITS: Authorizes sound recording investor tax credits.	\$0	(\$3,000,000)	(\$3,000,000)	\$0	\$0
HB 639	ACT 377	TAX/SALES & USE: Defines "hotel" and places of amusement for excluding certain entities exempt from federal income taxation.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE
HB 654	ACT 256	BONDS: Authorizes securitization of unclaimed property revenues to provide funds for I-49 North and South projects.	\$0	(\$15,000,000)	(\$15,000,000)	(\$15,000,000)	(\$15,000,000)
HB 655	ACT 443	TAX/SALES-USE, STATE-EXEMPT: Provides with respect to enterprise zone sales tax exemption requirements.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE
HB 679	ACT 401	TAX/CORPORATE INCOME: Enacts the Louisiana Headquarters and Growth Act.	\$0	(\$4,800,000)	(\$4,400,000)	(\$3,900,000)	(\$3,500,000)
HB 684	ACT 402	TAX CREDITS: Provides a research and development tax credit to certain taxpayers.	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)
HB 715	ACT 453	FUNDS/FUNDING: Authorizes the state to forgive the debt owed to the state by the Sabine River Authority.	\$0	\$0	\$0	(\$500,000)	(\$500,000)
HB 731	ACT 456	TAX CREDITS: Provides for a motion picture tax credit.	\$0	\$9,000,000	\$9,000,000	\$9,000,000	\$9,000,000
HB 741	ACT 457	TAX/SALES & USE: Provides with respect to repairs to tangible personal property for use in offshore areas	(\$56,000)	(\$56,000)	(\$56,000)	(\$56,000)	(\$56,000)
HB 747	ACT 458	TAX/SALES & USE: Establishes sales price of refinery gas sold to another person.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE
HB 765	ACT 388	TAX CREDITS: Provides for certain tax credits available to motor vehicle part manufacturers for new jobs created in the state.	\$0	DECREASE	DECREASE	DECREASE	DECREASE
HB 786	ACT 491	SMALL BUSINESS: Provides relative to the Louisiana Community Development Financial Institutions Act.	(\$5,000,000)	(\$5,000,000)	\$0	\$0	\$0
HB 795	ACT 403	TAX: Expands the Tax Equalization Program by allowing existing manufacturing industries, headquarters, and warehousing and distribution establishments contemplating relocating outside of the state to be eligible for tax exemption. Expands the Industry Assistance Program by providing that investments in and modernization of facilities may be one of the qualifications for a tax reduction contract, expands the program to include all businesses listed as Vision 2020 businesses, and removes the prohibition that the total amount of tax exemptions granted to manufacturers for any fiscal year may not exceed four percent of the corporate franchise, income, sales and use taxes collected during the fiscal year proceeding the fiscal year for which the exemptions are granted.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE

Bill No.	Act No.	Summary	FY06	FY07	FY08	FY09	FY10
HB 805	ACT 266	TAX/TAXATION: Provides for the dedication of revenues to the Telephone Company Property Assessment Relief Fund.	\$0	DECREASE	DECREASE	DECREASE	DECREASE
HB 807	ACT391	TAX/TAXATION: Provides a tax exemption for certain state-owned baseball facilities (exempts the Zephyr's Triple A professional baseball franchise located in Jefferson Parish from all state and local tax for certain sales and activities at that site).	(\$41,000)	(\$124,000)	(\$124,000)	(\$124,000)	(\$124,000)
HB 832	ACT 393	TAX/SALES & USE: Excludes purchases by certain nonprofit entities from the state sale and use tax.	(\$350,000)	(\$350,000)	(\$350,000)	(\$350,000)	(\$350,000)
HB 840	ACT 464	FUNDS/FUNDING: Provides for the dedication of the sales tax collected by the Louisiana Tourism Promotion District.	(\$400,000)	(\$800,000)	(\$1,200,000)	(\$1,600,000)	(\$2,000,000)
HB 862	ACT 466	TAX/TAXATION: Establishes tax credits and rebates in order to provide for an urban revitalization program.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE
HB 877	ACT 493	TAX/TAXATION: Provides for the eligibility of certain video poker license holders to participate in the tax incentive programs under the enterprise zone program.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE
HB 888	ACT 396	TAX/CORPORATE INCOME: Eliminates the dividend distribution deduction for certain controlled real estate investment trusts (REITs).	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
SB 26	ACT 277	TAX/INCOME/PERSONAL: Authorizes a deduction from taxable income of up to \$10,000 for certain expenses paid by a taxpayer if related to the taxpayer's travel or absence from work related to the taxpayer's or the taxpayer's spouse living organ donation.	(\$124,000)	(\$248,000)	(\$372,000)	(\$496,000)	(\$620,000)
SB 27	ACT 278	TAX EXEMPTIONS: Exempts sickle disease organizations from state and local sales taxes.	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)
SB 34	ACT 319	TAX/TAXATION: Grants an income and franchise tax credit equal to 20% of the cost of certified new recycling, manufacturing, or process equipment and/or service contracts used by non-hazardous industrial waste generators or beneficial users to implement DEQ-approved reuse programs.	(\$7,140,000)	(\$7,140,000)	(\$7,140,000)	(\$7,140,000)	(\$7,140,000)
SB 59	ACT 495	TAX/INCOME/PERSONAL: Merges the state income tax credits for child care and dependent care expenses and provides that the amount of the credit is based upon the federal credits before they are reduced by the amount of the individual's federal income tax.	\$0	(\$2,400,000)	(\$2,760,000)	(\$2,760,000)	(\$2,760,000)
SB 61	ACT 285	TAX/TAXATION: Revises the tax credit for employment by corporations of first-time drug offenders who are less than 25 years of age to include all first-time "nonviolent offenders" of any age and expands the credit to individual income tax.	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)
SB 73	ACT 405	TAX/TAXATION: Allows a taxpayer to take a credit of up to \$1,000 against income or corporate franchise taxes for qualified donations made to qualified playgrounds for certain tax years between 1992 and 2001 if taken on an amended return by December 31, 2008.	DECREASE	DECREASE	DECREASE	DECREASE	\$0
SB 104	ACT 326	ECONOMIC DEVELOPMENT: Provides an additional category to the Quality Jobs Program for physician-based industries.	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)
SB 129	ACT 292	STUDENTS: Provides for expanded participation in the Student Tuition Assistance Revenue Trust (START) Program.	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)

Bill No.	Act No.	Summary	FY06	FY07	FY08	FY09	FY10
SB 131	ACT 293	TAX/SALES: Grants an exclusion from state and local sales tax for non-profit organizations which donate toys to children.	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)
SB 137	ACT294	TAX EXEMPTIONS: Exempts interlocal risk management agencies of local housing authorities from payment of surplus lines taxes.	(\$60,273)	(\$60,273)	(\$60,273)	(\$60,273)	(\$60,273)
SB 138	ACT 295	TAX/TAXATION: Provides for an innocent spouse rule for collection of taxes other than individual income taxes.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE
SB 246	ACT 339	TAX/TAXATION: Grants a \$5,000 tax credit for each new job created in the "rubber manufacturing industry" as defined by the North American Industry Classification System (NAICS) Code 326211.	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)
SB 249	ACT 118	FUNDS/FUNDING: Authorizes transfer of property from the Chennault Airport Authority to the Board of Supervisors of the Louisiana Community and Technical College System for the use and benefit of Sowela Technical Community College in exchange for forgiveness of debt owed.	(\$342,900)	(\$346,200)	(\$348,600)	(\$350,100)	(\$340,700)
SB 322	ACT 156	TAX/TAXATION: Authorizes a Brownfields Investor Tax Credit.	(\$1,000,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)
SB 337	ACT 345	TAX EXEMPTIONS: Provides an exclusion from state sales tax for manufacturing machinery and equipment used to manufacture "unblended biodiesel" and for the use by manufacturers of "alternative substances" as fuel.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE
SB 341	ACT 346	TAX/TAXATION: Provides for a digital interactive media producer tax credit.	(\$1,000,000)	(\$2,000,000)	(\$3,000,000)	(\$4,000,000)	(\$5,000,000)
SB 351	ACT 504	TAX EXEMPTIONS: Grants Tax credits for public works construction contractors who furnish certain health insurance coverage to their employees. The program is capped at \$3,000,000 and ends in FY08.	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)	\$0	\$0

**Source: Legislative Fiscal Notes**

## **Fiscal Year 2006 Budget Summary - Means of Financing and Expenditures**

### **State General Fund Revenue Sources for Fiscal Year 2006**

The official FY06 State General Fund revenue estimate, as adopted by the Revenue Estimating Conference at its May 2005 meeting, is \$7.3 billion. This represents an increase of \$169 million over the last General Fund official forecast for FY06, which was adopted in December 2004.

Overall, the estimate increase was primarily attributable to greater corporate income taxes and mineral revenues associated with higher oil prices for both FY05 and FY06. The average price per barrel of oil is estimated to be \$47.42 for FY05 and \$40.44 for FY06.

Of the \$7.3 billion estimate, sales taxes comprise the largest source (36 percent, or \$2.6 billion) of monies in the General Fund.

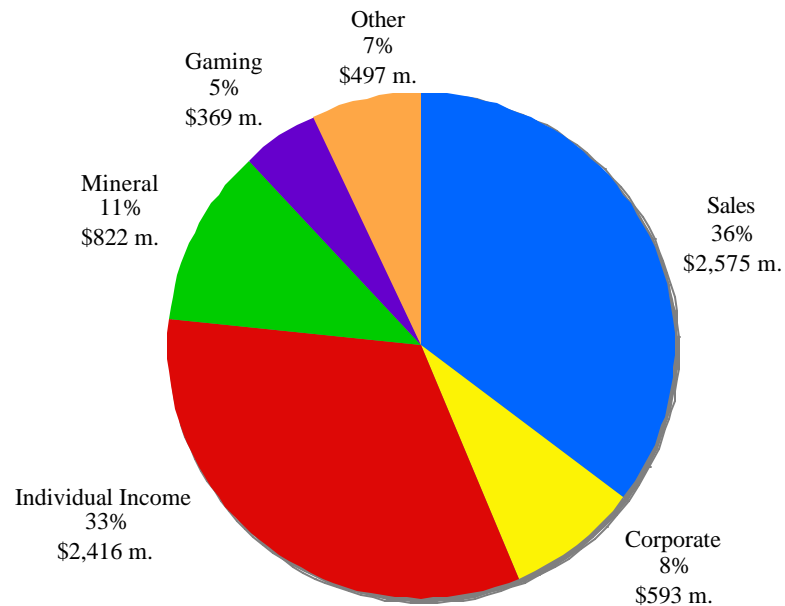
Revenues from individual income taxes account for the next largest source, generating 33 percent, or \$2.4 billion. Another major source of revenue is mineral revenues, which make up 11 percent, or \$821.9 million. Corporate income tax accounts for about 8 percent, or \$593 million, and gaming monies amount to a little more than 5 percent, or \$368.8 million. (The \$368.8 million reflected for gaming revenue is only the State General Fund portion of the roughly \$753.8 million generated by gaming activities across the state. The difference is deposited into various dedicated funds, such as the \$145.6 million deposited into the Support Education in Louisiana First (SELF) Fund.) A variety of smaller sources provide nearly 7 percent of the total state revenues (roughly \$497.3 million).

### **Total Means of Financing for Fiscal Year 2006**

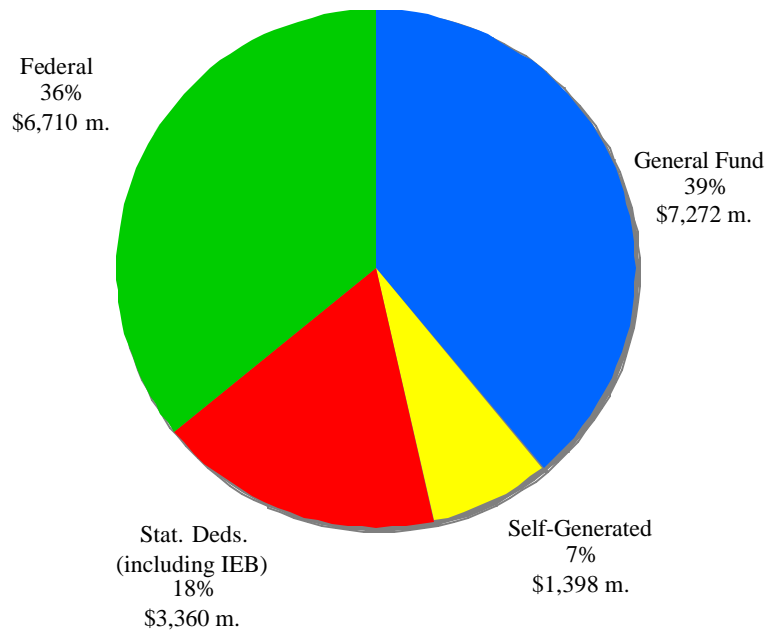
The total means of financing supporting state spending in FY06 is \$18.7 billion, which is an increase of slightly more than \$930.5 million (5 percent) over FY05. State General Fund and Federal Funds account for 75 percent of the monies supporting state FY06 expenditures.

The State General Fund comprises 39 percent, or \$7.3 billion of the FY06 total budget. Federal Funds provide 36 percent of the total, or \$6.7 billion. Statutory Dedications make up 18 percent, or \$3.4 billion. The smallest group of monies supporting the budget is Fees and Self-generated Revenues, which amount to 7 percent of the total, or \$1.4 billion.

## FY06 General Fund Revenue — \$7.3 billion



## FY06 Total Means of Financing — \$18.7 billion

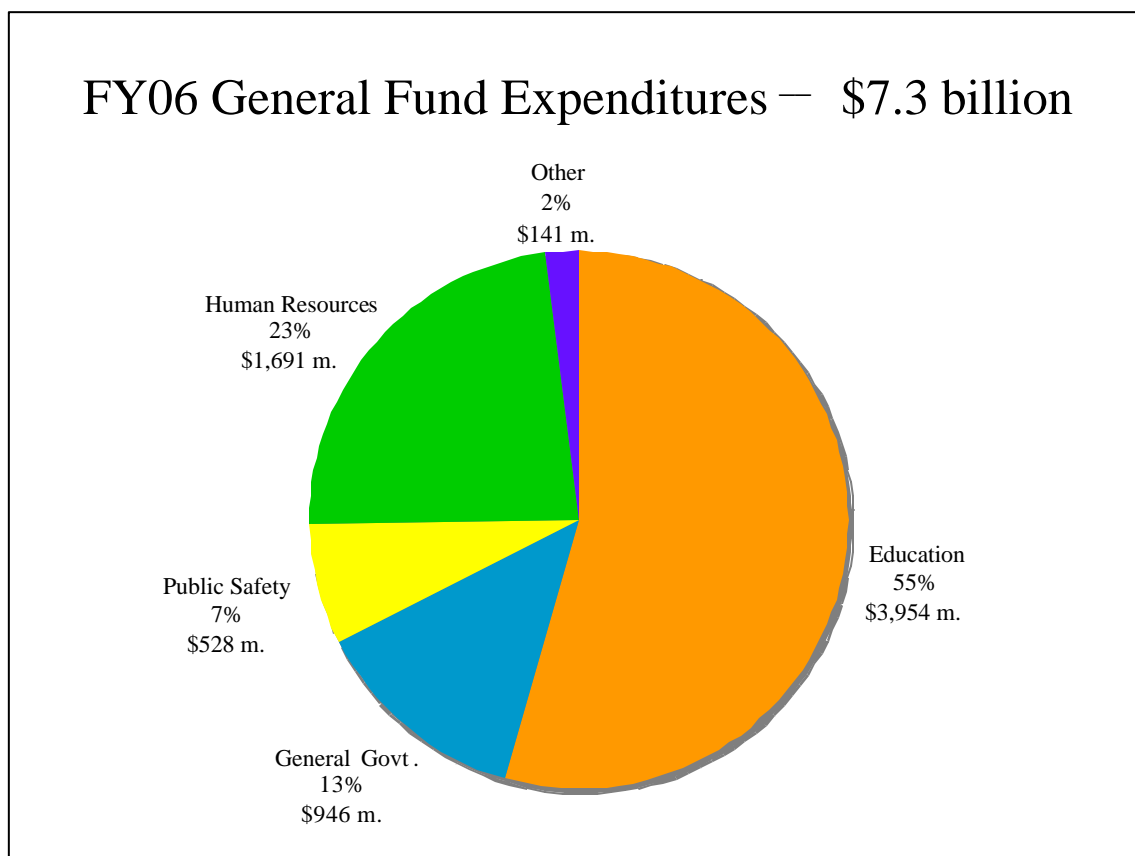




## General Fund Expenditures for Fiscal Year 2006

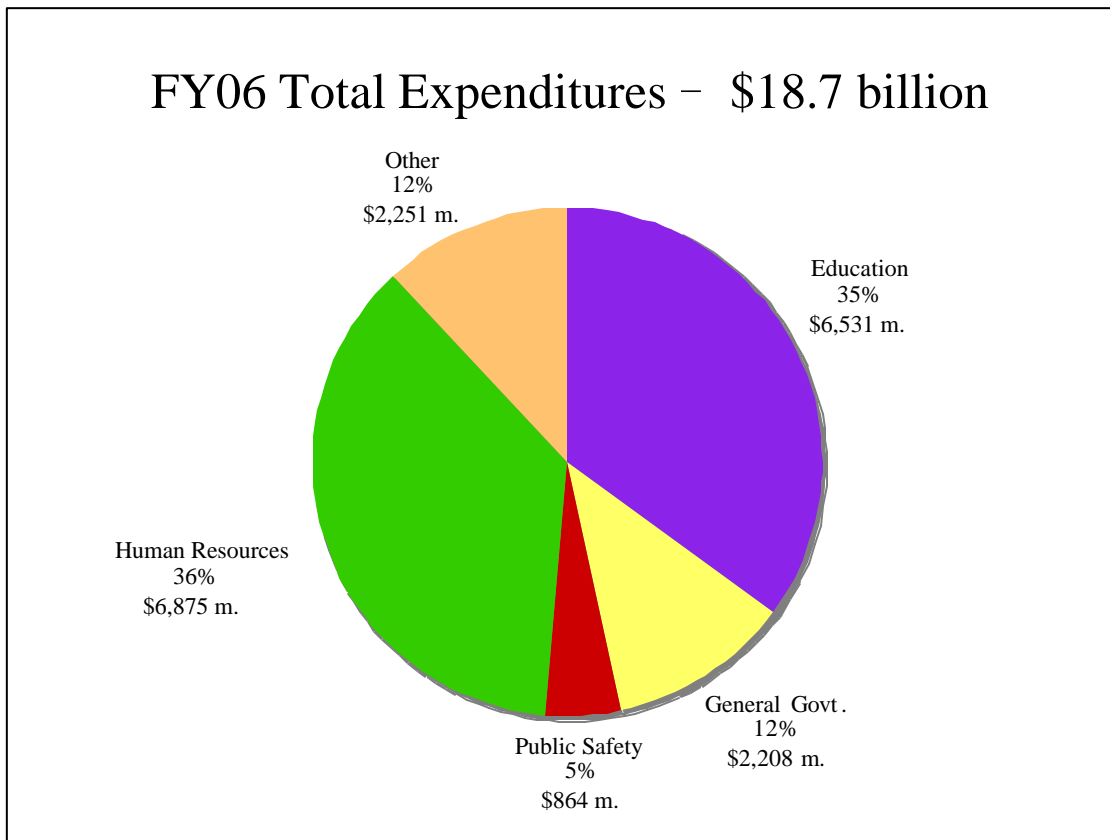
In terms of expenditures, education and human resources account for the majority of General Fund spending in FY06.

Relative to the \$7.3 billion State General Fund budget, spending on education accounts for over 55 percent, or \$3.9 billion. Slightly more than 23 percent, or \$1.7 billion, of the State General Fund spending is for human resources (health and social services). Spending on general government amounts to 13 percent, or about \$946 million. Public safety functions cost roughly 7 percent (\$528 million) of the General Fund. Spending on other various functions such as economic development and infrastructure amount to a little more than 2 percent (\$141 million) of the total.



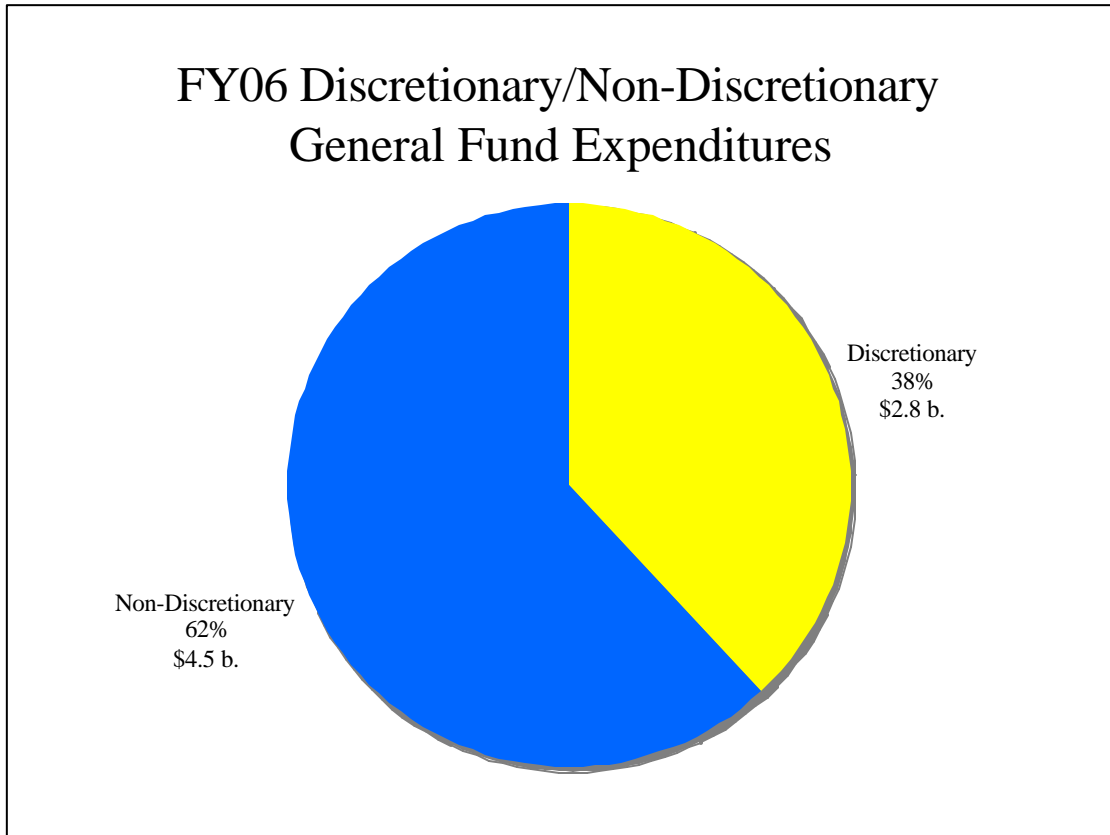
## Total Expenditures for Fiscal Year 2006

When considering the total state budget of \$18.7 billion, expenditures for human resources (health and social services) amount to nearly 36 percent (or \$6.9 billion) and spending on education accounts for about 35 percent (or \$6.5 billion). Spending on general government, public safety functions and other areas is reflected in the chart below.

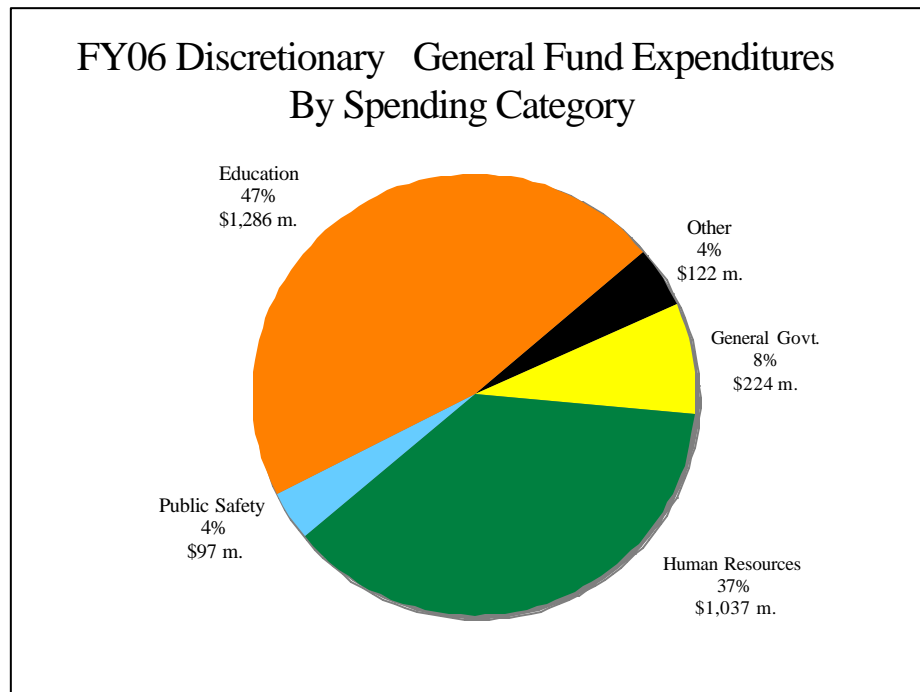


## Discretionary and Non-Discretionary General Fund Expenditures for Fiscal Year 2006

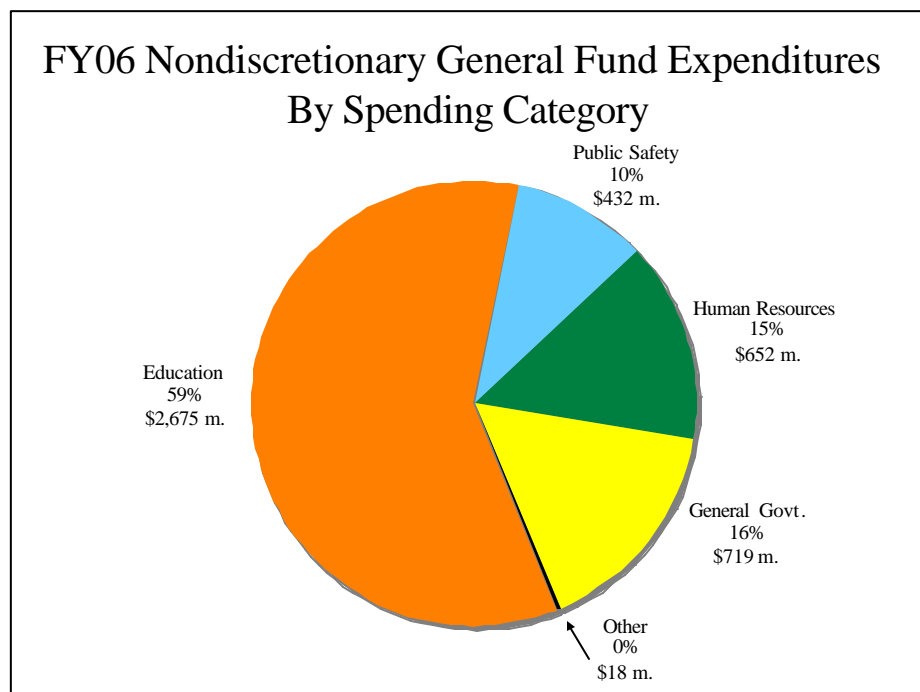
The following chart displays the spending associated with the portions of the State General Fund budget which are discretionary (38 percent, or \$2.8 billion) and which are non-discretionary (62 percent, or \$4.5 billion).



Nearly half of the \$2.8 billion in general fund discretionary spending goes to education expenditures (47 percent, or \$1.3 billion). The next largest piece, 37 percent, or \$1 billion, is spent on human resources (health and social services).



Approximately 59 percent of the \$4.5 billion in mandated spending in the budget is for education, primarily the Minimum Foundation Program. Spending on human resources (health and social services) accounts for about 15 percent, or \$651.7 million, of non-discretionary spending.



# Departmental Budget Overview

## Executive Department

### FY06 Appropriation Level

<b>Executive</b>	<b>State General Fund</b>	<b>\$143,339,560</b>
	<b>Total Means of Financing</b>	<b>\$554,082,148</b>

The total means of financing for the Executive Department is funded at 96.2 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) increased by 57 positions to 2,022 for FY06.

### Urban Affairs and Rural Development Programs

No adjustments were made to the total funding for the Urban and Rural Grant Programs in FY06.

- The FY06 budget contains \$8.3 million in funding for the Urban Grants program.
- The Rural Development Grants program is budgeted at \$7.6 million in FY06.

An transfer of approximately \$200,000 in Rural Development Fund monies from the annual allocation of Terrebonne and Lafourche Parishes was provided to Medical Vendor Payments as state match for payments to the Leonard J. Chabert Medical Center.

### Indigent Defense

In FY06, the Louisiana Indigent Defense Assistance Board received an additional \$1 million.

### Private Pre-Kindergarten Program

The \$8.5 million in funding from the Temporary Assistance to Needy Families (TANF) monies for the Private Pre-K Program has been continued into FY06.

## **Obligations of the State to be Handled by the Division of Administration**

The Commissioner of Administration received a total of \$5 million out of the statutorily dedicated 2004 Overcollections Fund for the compromise or settlement of the claim against the state in the suit entitled “Gordean Adella Wingfield, et al. v. State of Louisiana through DOTD and Wilson Trailer Company, Inc” with the caveat that the FY06 appropriation would be reduced in an amount equal to any payments made in FY05.

The Division of Administration received \$975,000 in FY06 for the Tournament Players Club (TPC) Golf Facility Cooperative Endeavor Agreement due to a shortfall in the number of golf rounds booked through New Orleans area hotels.

## **Military Affairs**

The Department of Military Affairs’ FY06 budget contains a total of \$51.7 million in Federal Funds for various homeland security programs at the state and local level. The majority of these funds (\$46.2 million) will be transferred to State Police or other state agencies for expenditure primarily for specialized equipment and training services for local governmental homeland security/first responder entities.

- Major components for which funding is continued include: Homeland Security Grants Program; Law Enforcement Terrorism Prevention Program; Urban Area Security Initiative for Baton Rouge and New Orleans; and the Citizen Corps Program.
- New funding will be provided for the Emergency Management Performance Grant (a statewide program) and the Metropolitan Medical Response System (Shreveport, Jefferson Parish, Orleans Parish, and East Baton Rouge Parish).
- An additional \$500,000 of State General Fund was provided by amendment for the Southern Anti-Terrorist Regional Training Academy.

An additional \$3.2 million was appropriated to the Department of Military Affairs to cover the annualized operating costs of the ammunitions plant transferred from the U.S. Army to the state in Minden.

## **Workforce Commission**

A series of non-recurring adjustments resulted in a \$4.2 million reduction in the budget for the Workforce Commission in FY06.

- The Temporary Assistance to Needy Families (TANF) Initiatives funding for a basic and technical skills program for low-income parents operated by this office was not continued into FY06. Therefore, the Workforce Commission’s FY06 budget was reduced by \$1.5 million in Federal Funds from the FY05 level.

- The U.S. Department of Labor's Workforce Investment Act Grant award ended in FY05 requiring the removal of \$2.7 million in Federal Funds from the Workforce Commission's budget in FY06.

### **Women's Policy**

An additional \$275,000 will be spent in FY06 on various domestic violence programs across the state.

### **Louisiana Stadium and Exposition District (LSED)**

The total means of financing for the Louisiana Stadium and Exposition District is funded at 98.8 percent of the District's FY05 operating budget. The appropriation to the District is approximately \$49.4 million.

At the current appropriation level, the district is projecting an overall operating deficit of about \$8.9 million for FY06. The projected budget deficit will directly impact the ability of the State to meet contractual obligations made with both the New Orleans Saints and New Orleans Hornets sports franchises for FY06.

- The estimated operating deficit includes a \$7.8 million shortfall in the Saints Incentive Payment based on the amount of revenues anticipated to meet that obligation.
- The New Orleans Saints are projected to receive inducements from the state in the amount of \$26 million from two sources in FY06: \$11 million in lease-related entitlements such as suite license fees, concessions and merchandise, parking, and advertising; and \$15 million from the 2005 Inducement Payment per the agreement approved during the 2002 First Extraordinary Legislative Session.
- The New Orleans Hornets inducement agreement approved during the 2002 First Extraordinary Legislative Session is anticipated to provide the franchise with \$4.3 million for FY06: Staffing Costs (43-Game Home Schedule), \$1.1 million; Hornets Lease Entitlements, \$1.5 million; and guaranteed naming rights, \$1.7 million.

A table may be found at the end of this section that provides greater detail regarding District operating revenues and expenditures.

### **Explanation of Prior Year Operating Deficits**

The State Bond Commission approved the issuance of \$10.5 million in revenue anticipation notes to address the FY05 revenue shortfall experienced by the District. The funds were used to meet the payment on the Saints retention guarantee and for other operating expenditures.

Since the current agreement was amended in 2002, the State has either used previously dedicated surpluses or borrowed funds each year to meet its obligation to the Saints. The source of funding for meeting prior year deficits include:

- Surplus operations previously dedicated elsewhere in FY02, \$4 million;
- A capital contribution from the stadium manager per an extended management contract in FY03, \$2 million;
- A loan from the Louisiana Economic Development Fund in FY04, \$7.5 million; and,
- Revenue anticipation bonds issued by the State Bond Commission in FY05, \$10.5 million.

#### Anticipated Fiscal Year 2006 LSED Operating Deficit

The estimated shortfall of \$7.8 million in the Saints Incentive Payment is due to both the lack of surplus funds from District operations and the lack of naming rights proceeds.

- Surplus funds from operations are intended to meet Saints and Hornets contractual obligations, but stagnant hotel occupancy sales tax collections and increases in expenditures have caused the District to experience a deficit in operations.
- The Governor's Office attempted to renegotiate the current stadium agreement with the New Orleans Saints to avoid future deficits. However, the Saints postponed any renegotiations until after the 2005 season. At that time, the Saints will have a window where they may pay \$81 million to terminate the current agreement.

Act 430 (HB 393) of the 2005 Regular Session of the Legislature provides a funding stream to assist the state in meeting future contractual obligations with NFL and NBA franchises.

- After net slot machine proceeds at the New Orleans racetrack are provided to various entities at specific rates, the remainder of the revenues generated will be deposited into the New Orleans Sports Franchise Assistance Fund (NOSFAF).
- The sole use of monies from NOSFAF is to meet contractual obligations made with NFL and NBA teams located in Orleans Parish.
- It is unclear as to whether this funding stream will be sufficient to meet future obligations.



**Louisiana Stadium and Exposition District  
Summary of Actual and Projected Revenues and Expenditures**

<i>Louisiana Stadium and Exposition District</i>	<b>Actual FY04</b>	<b>Actual FY05</b>	<b>Projected FY06</b>
Hotel Occupancy Tax (4c - 13% incr. FY05, then 2.5%)	\$30,739,448	\$36,151,265	\$37,055,047
Self-Generated Revenues (2% Growth after FY05)	\$23,077,722	\$19,150,575	\$19,533,587
Sports Facility Assistance Fund (4% Growth after FY05)	\$900,339	\$1,636,418	\$1,701,875
Funds Borrowed to Meet Annual Shortfalls	\$7,500,000	\$10,500,000	\$ -
Total Revenues	<u>\$62,509,572</u>	<u>\$67,438,258</u>	<u>\$58,290,508</u>
Facilities Operating Expenditures (3% Growth after FY05)	\$53,513,460	\$57,640,522	\$59,369,738
Annual Saints Retention Guarantees (Approved in 2002)	\$15,000,000	\$15,000,000	\$15,000,000
Less: N.O. Sports Franchise Fund (1c Less \$2M)	\$5,099,000	\$6,100,000	\$6,302,500
Less: Other Offsets (Flat growth after FY05)	\$947,920	\$948,314	\$903,213
Less: Operating Surplus Funds	<u>\$8,953,080</u>	<u>\$7,951,686</u>	<u>\$ -</u>
<b>Saints Incentive Payment Shortfall</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$7,794,287</b>
<b>Cash Surplus or Deficit After Saints Obligations</b>	<b>\$43,032</b>	<b>\$1,846,050</b>	<b>\$(8,873,517)</b>

**Law Enforcement and Criminal Justice**

Act 16 appropriates \$500,000 in statutorily dedicated funds to the Louisiana Commission on Law Enforcement and the Administration of Criminal Justice for additional funding of the Intensive Drug Offender Program that is designed to reduce the incarceration of drug offenders by treating offenders in community settings.

**Elderly Affairs**

The state will spend approximately \$43.2 million on services for Louisiana's Senior Citizens via the Office for Elderly Affairs in FY06.

- Act 16 contains nearly \$29.7 million for supportive services to the elderly, including the Ombudsmen program, in FY06.

- Roughly \$6.8 million is budgeted in FY06 for state support of Parish Councils on Aging and Senior Centers.
- The FY06 budget continues \$1.4 million in statewide funding for the SenioRx Program.
- The legislature appropriated another \$385,000 for home remodeling and renovation programs for elderly and disabled individuals in select localities in FY06.

# Department of Veterans Affairs

## FY06 Appropriation Level

<b>Veterans Affairs</b>	<b>State General Fund</b>	<b>\$ 7,080,930</b>
	<b>Total Means of Financing</b>	<b>\$23,954,607</b>

The total means of financing for the Department of Veterans Affairs is funded at 105 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) remained the same at 556 positions for FY06.

### Major Budgetary Changes

Although the majority of the changes were primarily due to routine statewide adjustments such as merit increases, annualizations, building rentals, and other operating expenses, there are specific adjustments for the individual veterans homes.

#### Louisiana War Veterans Home

- The FY06 budget at the 195-bed facility in Jackson was increased by \$350,000 from federal and self-generated sources to provide for increased medical supplies.
- The DHH provider fee was reduced by \$51,244 to reflect historical expenditure patterns.

#### Northeast Louisiana War Veterans Home

- The FY06 budget added \$360,000 from federal and self-generated sources to properly annualize increases for laundry, outside service contracts, food, pharmaceutical, and medical supplies.
- At the 156-bed facility in Monroe, the FY06 budget was increased by \$350,000 from federal and self-generated sources for the increased cost of medical supplies.
- The DHH provider fee was reduced by \$35,095 to reflect historical expenditure patterns.

#### Southwest Louisiana War Veterans Home

- The 165-bed Southwest Louisiana War Home in Jennings opened in FY05, but is still in the process of hiring its 165-position staff and taking in the full complement of residents.
- The major fiscal change involved a means of financing swap that reduced State General Fund by \$1.9 million and increased Fees and Self-generated Revenues (\$760,125) and Federal Funds (\$1.1 million) to account for the reduction.

# Elected Officials

## Secretary of State

### FY06 Appropriation Level

State	State General Fund	\$30,651,964
	Total Means of Financing	\$94,724,981

The total means of financing for the Department of State is funded at 96.6 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) increased by 1 position to 285 for FY06.

### Elections

Reductions totaling \$6.5 million were made to the Elections Program in order to properly reflect election expenses for FY06.

- There will be fewer elections in FY06 than there were in FY05.
- These reductions are slightly offset by an additional \$250,000 in the FY06 budget for warehouse rental expenses to store voting machines.

Interest earnings totaling \$711,015 from the Help Louisiana Vote Fund are budgeted in FY06 in order to provide some form of consistency between Louisiana and other states in upcoming federal elections. These funds address issues such as election administration, voting systems and voting access. These funds are derived from federal grants under the Help America Vote Act (HAVA).

Merit increases for employees of local Registrars of Voters have been added for FY06 at a cost of \$709,223.

### Archives and Records

Additional funding of \$353,700 is provided in FY06 to meet additional microfilming expenses.

### Museums and Other Operations

An additional \$656,206 was added to this program for the following: general operating expenses (\$104,706); the Aviation and Military Museum of Louisiana (\$185,000); the Garyville Timbermill Museum (\$6,500); the Jean Lafitte Marine Fisheries Museum (\$15,000); the

Mansfield Women's College Museum (\$10,000); the Old State Capitol (\$124,000); the Louisiana State Exhibit Museum (\$61,000); the Southern Forest Heritage Museum (\$100,000); the Stephen's African American Museum (\$25,000); and the Tioga Heritage Museum and Park (\$25,000).

The Governor **vetoed** several smaller museum projects totaling \$154,228 that were funded by the legislature. The vetoed amendments include funding for an unclassified director at the Louisiana Oil and Gas Museum (\$60,000 and one position); the Tupper Museum in Jennings (\$50,000); two maintenance workers at the Louisiana State Exhibit Museum (\$34,228 and two positions); and the Louisiana Military Museum in Ruston (\$10,000).

- In the veto messages, the Governor noted that the positions requested at the Louisiana Oil and Gas Museum and the Louisiana State Exhibit Museum were not requested by the Secretary of State, and there was no documented need for the positions.
- With regard to the Tupper Museum veto, the Governor noted that there was no explanation available as to how the requested funding would be utilized.
- As for the Louisiana Military Museum, the Governor noted that adequate funding had already been provided to cover the facility's necessary costs.

# Attorney General

## FY06 Appropriation Level

<b>Justice</b>	<b>State General Fund</b>	<b>\$14,903,611</b>
	<b>Total Means of Financing</b>	<b>\$48,034,692</b>

The total means of financing for the Department of Justice is funded at 114.6 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) increased by 53 positions to 516 for FY06.

### Medicaid Fraud Control Unit (MFCU)

The Department of Justice's MFCU has been expanded by \$2.1 million and 25 positions for FY06.

- Most of the funding (\$1.6 million) is Federal Funds; the remaining \$525,000 is from the Medical Assistance Fraud Detection Fund, which consists mainly of fines, interest and penalties generated by the fraud unit.
- This new initiative is intended to enhance fraud and abuse detection, bolster fraud and abuse prevention activities, pursue collections on previously awarded judgments and discover additional undetected fraud.

### Risk Litigation

Funding totaling \$1.9 million from the Office of Risk Management will be used to expand the New Orleans and Shreveport offices in the Department of Justice's Risk Litigation Program in FY06.

- Increasing the legal staffs in these regional offices is intended to allow the Department to handle more risk litigation cases in-house and rely less on contract attorneys.
- Further, this expansion is meant to provide the Department's legal staff with the opportunity to specialize in key types of risk litigation within their respective geographic areas.

### Attorney Salary Package

In FY06, the Department of Justice's budget increased by \$1.4 million to provide competitive salaries for the Department's attorneys and to help reduce high turnover rates among the legal staff.

### **Civil Legal Services for the Poor**

The legislature has enhanced funding for free civil law services for the poor by \$160,000 in FY06.

- When added to the \$300,000 base amount, \$460,000 will be distributed among four geographic regions across the state.
- These funds will not be used for legal services in either criminal matters or fee-generating suits (such as personal injury cases).

## Lieutenant Governor

### FY06 Appropriation Level

<b>Lieutenant Governor</b>	<b>State General Fund</b>	<b>\$1,599,009</b>
	<b>Total Means of Financing</b>	<b>\$5,627,397</b>

The total means of financing for the Office of the Lieutenant Governor is funded at 89.5 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) increased by 4 positions to 13 for FY06.

### Decreases in Operating Expenses

Most of this department's changes in funding are due to standard statewide adjustments.

- A federal grant of \$1 million for the Louisiana Literacy Program was non-recurred from the FY06 budget as a new grant is anticipated.
- The transfer of 4 positions and \$226,354 for related expenses to the Lieutenant Governor's Office from the Department of Culture, Recreation and Tourism in FY05 was continued in FY06.



## **Treasurer**

### **FY06 Appropriation Level**

<b>Treasury</b>	<b>State General Fund</b>	<b>\$ 1,074,009</b>
	<b>Total Means of Financing</b>	<b>\$15,291,717</b>

The total means of financing for the Department of the Treasury is funded at 101 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) increased by 4 positions to 60 for FY06.

### **Funding Interstate 49 North and South**

Act 256 (HB 654) of the 2005 Regular Session of the Legislature created the Unclaimed Property Leverage Fund for the deposit of a portion of the funds received each year by the administrator for transfer to the Louisiana Transportation Authority.

- Each fiscal year, pursuant to appropriation, an amount not to exceed \$15 million shall be deposited into the fund to pay the principal and interest of bonds issued by the Authority.
- The funding shall be divided with 50 percent to match federal funds for the costs associated with the construction of Interstate 49 North from Shreveport to the Arkansas border and 50 percent for Interstate 49 South from Lafayette to the West Bank Expressway in New Orleans.

### **Financial Accountability Program**

One position and the associated funding of \$48,442 from Fees and Self-generated Revenues were added to the Financial Accountability and Control Program.

## Public Service Commission

### FY06 Appropriation Level

<b>Public Service</b>	<b>State General Fund</b>	<b>\$ 0</b>
<b>Commission</b>	<b>Total Means of Financing</b>	<b>\$9,149,827</b>

The total means of financing for the Public Service Commission is funded at 106.7 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) remained the same at 122 positions for FY06.

### Increases in Operating Expenses

The roughly 60 percent of the increased funding for the Public Service Commission in FY06 was for the acquisition of replacement office equipment and computer hardware and software.

The remaining increase resulted from the net of statewide Personal Services adjustments for expenses such as merit increases, Civil Service training series, retirement rates, group insurance, salary base adjustments, attrition, and salary funding from other line items.

## Commissioner of Agriculture

### FY06 Appropriation Level

<b>Agriculture and Forestry</b>	<b>State General Fund</b>	<b>\$31,673,563</b>
	<b>Total Means of Financing</b>	<b>\$96,149,528</b>

The total means of financing for the Department of Agriculture and Forestry is funded at 88.4 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) remained the same at 831 positions for FY06.

### Removal of Duplicate Funding

A total of \$12.4 million was removed from the department's budget in FY06 as the FY05 budget base contained excess budget authority to pay the \$12 million bond payments from the Boll Weevil Eradication Fund.

- The bond payment is included in the funding for the Louisiana Agricultural Finance Authority.
- As such, an additional appropriation out of the Boll Weevil Eradication Fund is not necessary. The FY06 budget corrects the duplicate funding and removes the excess appropriation from the Fund.

### Changes in Means of Financing

The Department of Agriculture and Forestry received increases in general fund revenue as a result of various means of financing substitutions for FY06 during the appropriation process.

- A total of \$2.1 million in additional State General Fund was appropriated to the department to ensure continuation of services levels as the collections in a variety of statutory dedications are projected to decline in FY06.
- The declining funds include the Feed Commission Fund, Fertilizer Fund, Pesticide Fund, Horticulture Commission Fund, Seed Commission Fund, Sweet Potato Pests and Diseases Fund, Commercial Feed Fund, and Petroleum Products Fund.

### Formosan Termite Initiative

Although the FY06 budget includes a \$1 million reduction of non-recurring funding in the Formosan Termite Initiative Fund, the legislature did appropriate an additional \$243,145 in State General Fund for the operational costs of this program.

## Commissioner of Insurance

### FY06 Appropriation Level

<b>Insurance</b>	<b>State General Fund</b>	<b>\$ 0</b>
	<b>Total Means of Financing</b>	<b>\$28,644,978</b>

The total means of financing for the Department of Insurance is funded at 106.1 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) remained the same at 277 positions for FY06.

### Increases in Operating Expenses

In FY06, the operating budget for the Department of Insurance will increase by \$1.7 million over the level budgeted in FY05.

- As recommended by the Office of Information Technology, the Department of Insurance will invest an additional \$1.5 million in FY06 to replace or upgrade computer hardware and software.
- Expenditures on personal services will increase by \$1.2 million in FY06 due to yearly growth in salaries and rising retirement and group insurance costs.
- These additions were offset by series of non-recurring adjustments totaling nearly \$1 million, the largest of which was a reduction of \$863,915 for acquisitions in FY05 that will not recur in FY06.

# Economic Development

## FY06 Appropriation Level

<b>Economic Development</b>	<b>State General Fund</b>	<b>\$31,855,334</b>
	<b>Total Means of Financing</b>	<b>\$70,929,241</b>

The total means of financing for the Department of Economic Development is funded at 73.7 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) remained the same at 100 positions for FY06.

### Fiscal Year 2005 Funding Non-recurring in Fiscal Year 2006

For FY06, a total of \$70.9 million has been appropriated to the Department of Economic Development (DED). This is a reduction of \$25.3 million from FY05. The reductions relate to several major adjustments that include:

- Liquidating prior year Louisiana Economic Development Corporation (LEDC) carry-forward funds (\$23.5 million); and,
- Non-recurring the remaining Allied Compressor loan guarantee (\$1.2 million) as the state's obligation is complete.

### Funding for Economic Development Initiatives for Fiscal Year 2006

Act 398 (HB 460) of the 2005 Regular Session of the Legislature created the Rapid Response Fund in the state treasury and provided for an annual deposit of monies into the fund to bring the unobligated balance in the fund to \$10 million. This special fund replaces the Governor's Economic Development Rapid Response Program begun in FY05.

- Act 398 requires the treasurer to deposit sufficient funds at the beginning of each fiscal year to bring the unobligated fund balance to \$10 million. Nothing precludes the legislature from appropriating additional monies to the fund. In addition, all unexpended, unencumbered monies in the fund at the end of a fiscal year shall remain in the fund and interest earnings shall be credited to the fund.
- The annually appropriated fund balance may be used for the immediate funding of all or a portion of economic development projects deemed necessary by the department's secretary and the Governor to secure the creation or retention of jobs by a business entity.

- Act 398 also requires DED to report to the Joint Legislative Committee on the Budget on the department's use of the Rapid Response Fund biannually in October and April.

The funding from the state for a variety of new and on-going economic development initiatives as well as local and regional economic development organizations has been appropriated to the department in FY06. The following table highlights the major initiatives and the amount of funding provided.

University of New Orleans/Avondale for the	
Design and Construction of Twelve PD-17 Class Naval Vessels	\$ 4.4 million
Regional and Local Economic Development Initiatives	\$ 4.4 million
University of New Orleans/	
Northrup Grumman Ship Systems – Avondale Operations	\$ 3.5 million
Louisiana Technology Park	\$ 2.9 million
Wet Labs in New Orleans, Baton Rouge and Shreveport	\$ 2.2 million
Regional and Local Economic Development Entities	\$ 2.1 million
Good Manufacturing Practices Facilities	\$ 1.8 million
England Economic and Industrial Development District for	
Union Tank Car Manufacturing Facility	\$ 1.5 million
Sugar Bowl	\$ 1.1 million
Independence Bowl Foundation	\$ 0.4 million
Chemical and Bioterrorism Training and Research	\$ 0.4 million
New Orleans Bowl, Inc.	\$ 0.3 million

In addition, DED has a number of programs that the department operates to support business development and maintenance in the state.

- The Louisiana Economic Development Corporation (LEDC) is appropriated \$12.6 million in FY06 for programs such as the Louisiana Small Business Loan Program, Venture Capital Programs, Business and Industrial Development Corporation Programs (BIDCO), Micro Loan Program, and the Contract Loan Program.
- A total of \$4.2 million in one-time funding will be spent during the course of FY06 on advertising, promotion and marketing of the department's programs.
- For FY06, approximately \$2.5 million in spending has been continued for the provision of workforce development and training services to existing or prospective Louisiana businesses.
- Funding for business assistance activities totals \$1.9 million in FY06: \$1 million for the Small Business Bonding Program; \$603,522 for the Small Business Development Centers; and \$308,000 for Small and Emerging Business Development (SEBD) Technical Assistance services.
- Temporary Assistance to Needy Families (TANF) funding totaling \$750,000 will be used in FY06 to assist low-income citizens in building economic self-sufficiency by enhancing their access to business capital, technical assistance and training.

## **Reorganization of the Department of Economic Development**

Pursuant to recommendations by a consultant, Secretary Olivier has restructured the department with changes to both personnel and operating units.

- Two positions have been added to the executive office – an assistant for policy and initiatives and a legislative and congressional liaison (both positions will be paid \$80,000 per year).
- Organizational changes include creating a new Business Development Services unit charged with recruiting and economic development marketing and a new Community Outreach Services unit focusing on entrepreneurship and partnerships, and separating the Research and Communications functions into separate units.
- Organizational changes include making the Cluster Division part of Business Development Services. Community Outreach Services will replace the Office of Business Retention and Assistance Services and Communications and Research has been changed to Communications and Marketing.

# Culture, Recreation and Tourism

## FY06 Appropriation Level

<b>Culture, Recreation and Tourism</b>	<b>State General Fund</b>	<b>\$47,997,778</b>
	<b>Total Means of Financing</b>	<b>\$74,540,007</b>

The total means of financing for the Department of Culture, Recreation and Tourism is funded at 102.1 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) increased by 28 positions to 766 for FY06.

### Tourism

In FY06, the state will spend approximately \$18.3 million in the Office of Tourism on initiatives and marketing in an effort to grow visitor spending in Louisiana to an estimated \$10 billion in FY06.

The main revenue source for the Office of Tourism will increase in future fiscal years due to legislation passed in the recent session. Act 464 (HB 840) of the 2005 Regular Session of the Legislature increases the tourism set aside of the state sales tax in \$400,000 increments through Fiscal Year 2010 (FY10). By then, Office of Tourism's maximum share of the tax will have grown from the \$17.5 million cap in FY05 to a \$19.5 million cap in FY10.

### State Parks

The Office of State Parks operates over thirty properties and has a total budget of approximately \$25.4 million in FY06.

- State Parks will spend an additional \$829,808 in FY06 for the operating expenses associated with the private donation of Hodges Gardens to the state. A total of 26 positions were also added in FY06 to staff Hodges Gardens.
- A total of \$582,850 and 10 positions were added for the operational costs associated with the opening of ten new cabins at Fountainebleau State Park in FY06.
- A total of \$306,236 and 5 positions were added for the operational costs associated with the new camping area at Poverty Point Reservoir in FY06.



## **State Museums**

The Office of State Museum operates eleven historical properties and has a total budget of approximately \$5.7 million in FY06.

## **State Library**

The Office of the State Library received a \$470,105 federal grant from the Institute of Museum and Library Services to digitize numerous holdings of the State Library, State Museum, and Historic New Orleans Collection and provide access via the Louisiana Digital Library website.

## **Cultural Development**

Approximately \$1.6 million has been transferred from the Board of Regents to the Office of Cultural Development for the Louisiana Endowment for the Humanities in FY06.

The FY06 budget contains \$5.9 million in funding for the Arts program.

- Funding for the Art program grew by \$95,218 in FY06 due to increasing operational costs.
- The legislature also added one position to the program.

# Transportation and Development

## FY06 Appropriation Level

Transportation and Development	State General Fund	\$ 1,640,000
	Total Means of Financing	\$440,133,047

The total means of financing for the Department of Transportation and Development is funded at 101.1 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) decreased by 74 positions to 5,154 for FY06.

## Fiscal Year 2006 Operating Budget

### Explanation of Major Changes

A series of adjustments were made to the department's budget resulting in total increase of \$4.9 million in funding for the Department of Transportation and Development in FY06.

- The amount of \$19.2 million in expenditures was transferred to the operating budget from the capital outlay budget. These include the following activities that the Division of Administration considered to be operating expenditures: the bridge inspection program, \$3 million; some safety programs within the Hazard Elimination Program, \$5.6 million; a portion of contract maintenance activities, \$8 million; the Motorist Assistance Patrols, \$2.1 million; and the operation and maintenance of the Traffic Operations Center, \$500,000.
- There was a net increase of \$11.5 million from a series of adjustments in personnel related costs including merit increases, retirement, group insurance, attrition adjustments and the elimination of 74 unfilled vacant positions. The elimination of positions was part of a policy to achieve internal efficiencies in the delivery of transportation services.
- An increase of \$790,000 in State General Fund pass-through projects administered by the department produced a total of \$1.6 million in local projects. (A summary of these expenditures is included in a table in the following section.)
- Reductions totaling \$7 million from the Transportation Trust Fund-Regular were made in the operating budget to balance expenditures with official revenue estimates.
- The largest change in the department's operating budget was made in non-recurring adjustments. The elimination of non-recurring items from the budget for FY06 resulted in a \$19.4 million reduction in expenditures (\$17.2 million in non-recurring carry forwards and \$2.2 million in other non-recurring adjustments).

## State General Fund Pass-Through Items

A relatively small amount of State General Fund is annually passed through the department for certain regional initiatives or projects. The table below provides a comparison of these items for both the current and prior fiscal year.

State General Fund Pass-Through Items	FY05	FY06
Lafayette Expressway Commission	\$ 250,000	\$ 250,000
Zachary Taylor Parkway Commission	\$ 75,000	\$ 175,000
Relocation of DOTD Bldg. in Livingston	\$ 200,000	\$ 200,000
Fifth Levee District	\$ 50,000	\$ 150,000
Poverty Point Reservoir Commission	\$ 50,000	\$ 50,000
Louisiana Airport Authority	\$ 100,000	\$ 450,000
Highway 48 East in Concordia Parish - Turn lane	\$ -	\$ 40,000
Bayou DeGlaize Road	\$ -	\$ 300,000
UNO Contract for Port Study	\$ -	\$ 25,000
Traffic Control on U.S. 167 in Evangeline Parish	\$ 25,000	\$ -
West Baton Rouge for matching funds for grant	\$ 100,000	\$ -
<b>TOTAL</b>	<b>\$ 850,000</b>	<b>\$ 1,640,000</b>

Note: Funding for relocation of DOTD building in Livingston Parish not expended in FY05 was reappropriated in FY06.

## Safe, Accountable, Flexible and Efficient Transportation Equity Act—A Legacy for Users (SAFETEA-LU) – Reauthorization of Federal Surface Transportation Spending

The new federal surface transportation-spending plan, the Safe, Accountable, Flexible and Efficient Transportation Equity Act—A Legacy for Users (SAFETEA-LU), provides for a six-year spending plan. Louisiana is projected to receive additional federal funds under the new spending plan that runs through 2009.

- SAFETEA-LU increases the minimum guarantee in the distribution formula for the states from 90.5 percent to 92 percent by 2008 and guarantees an average annual funding increase of at least 19 percent for each state. However, Louisiana stands to exceed both the minimum guarantees for both the funding formula and overall average funding increase.
- Under the new spending plan, Louisiana will likely average about a 95 percent rate of return on the amount of gas taxes contributed by the state and see a 30 percent increase in overall federal funding for surface transportation. The state will receive an average \$580 million annually compared to the average \$450 million per year received under the previous plan.
- Though the average funding will be \$580 million per year, larger appropriations will likely be made in the out years compared to a slightly smaller one in the current year. The Legislature did, however, appropriate sufficient state funds to match the federal appropriation for this year.

- The state received specific appropriations for several major construction projects of both local and national interest. This funding includes \$200 million for I-49 North, \$59 million for I-49 South, and \$60 million for LA-1 Improvements and replacement of the Leeville Bridge.
- The previous federal authorization for surface transportation spending was extended eleven times since September 2003 while Congressional debate occurred on spending priorities. That plan, the Transportation Equity Act for the 21st Century (TEA-21) authorized the federal surface transportation programs for highways, highway safety, and transit for the six-year period from 1998 through 2003.

### Capital Outlay Programs

The administrative oversight of the capital outlay programs is provided through the operating budget. The capital programs, summarized in a table at the end of this section, include the highway, aviation, flood control, and port development priority programs and the Transportation Infrastructure Model for Economic Development Program (TIMED).

Program	FY05	FY06
	Act 2 of 2004	Act 26 of 2005
Highway Program		
Transportation Trust Funds-Federal	\$ 534,000,000	\$ 565,287,500
Transportation Trust Funds-Regular	\$ 104,300,000	\$ 108,568,202
Total	\$ 638,300,000	\$ 673,855,702
Secretary's Emergency Fund for Bridge Damages and Other Reimbursements (Self-generated Revenues)	\$ 25,000,000	\$ 15,000,000
Federal Funds	\$ 5,000,000	\$ 5,000,000
	\$ 30,000,000	\$ 20,000,000
Transportation Infrastructure Model for Economic Development (TIMED) Program	\$ 61,900,000	\$ 66,157,674
Hazard Elimination Projects (Interagency Transfers)	\$ 18,000,000	\$ 12,400,000
Port Priority Program (TTF-Regular)	\$ 20,000,000	\$ 20,000,000
Flood Control Program (TTF-Regular)	\$ 10,000,000	\$ 10,000,000
Aviation Program		
Transportation Trust Funds-Federal	\$ 1,000,000	\$ 1,000,000
Transportation Trust Funds-Regular	\$ 5,460,000	\$ 5,348,263
General Obligation Bonds - Priority 1	\$ 700,000	\$ -
	\$ 7,160,000	\$ 6,348,263
Non-Federal Aid Eligible Highways (TTF-Regular)	\$ 17,000,000	\$ 15,000,000

Notes: The amount of \$5.6 million was transferred from the Hazard Elimination Program to the operating budget.

## Public Safety and Corrections – Corrections Services

### FY06 Appropriation Level

Corrections Services	State General Fund	\$399,306,878
	Total Means of Financing	\$441,306,376

The total means of financing for the Department of Public Safety and Corrections – Corrections Services is funded at 102.3 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) increased by 9 positions to 6,352 for FY06.

### Dixon Dormitory Expansion and Wade Skilled Nursing Facility

Significant additions in the Department of Corrections for FY06 are two expansion projects, one each at Dixon Correctional Institute and at Wade Correctional Center.

- The project at Dixon is a 220-bed trustee dormitory scheduled to be completed by August 2005. This project costs approximately \$864,000 in State General Fund and will add an additional 11 positions.
- The project at Wade is a 50-bed skilled nursing unit scheduled to be completed by January 2006. This project costs approximately \$1.5 million in State General Fund with 53 additional positions.

### Death Row Cellblock Delay

During deliberation on the budget in House Appropriations Committee, a construction project for a new death row cellblock at Louisiana State Penitentiary was put on hold due to anticipated construction delays. The \$1.5-million State General Fund project had been scheduled for completion by January 2006, but will likely be delayed until later in FY07.

### Probation and Parole

A total of \$487,693 in State General Fund was added to Adult Probation and Parole to help offset a projected reduction in the agency's Fees and Self-generated Revenue of over \$790,000 and to fund 10 positions.

- This means of financing substitution resulted in an overall reduction of \$302,689 and the elimination of 7 vacant positions in the agency.

Probation and Parole also had a reduction of \$812,875 in State General Fund and 15 positions as a result of the outsourcing of the agency's Revocation Program.

### **Going Home Re-entry Program**

A total of \$154,057 in Federal Funds was transferred to the Office of Youth Development from Corrections for the Going Home Re-entry Program, which is designed to help serious, high-risk juvenile offenders to successfully make the transition from incarceration back into their communities, and therefore, reduce the recidivism rate.

## Public Safety and Corrections – Public Safety Services

### FY06 Appropriation Level

<b>Public Safety Services</b>	<b>State General Fund</b>	<b>\$ 6,533,853</b>
	<b>Total Means of Financing</b>	<b>\$354,429,589</b>

The total means of financing for the Department of Public Safety and Corrections – Public Safety Services is funded at 105.6 percent of the department’s FY05 operating budget.

The department’s Table of Organization (T.O.) decreased by 46 positions to 2,854 for FY06.

### **Upgrades to AFIS**

A total of \$7.8 million was added to the Office of State Police for information technology upgrades to the Automated Fingerprint Identification System (AFIS). Statutory Dedications out of the Criminal Identification and Information Fund provided funding.

### **Video Poker Computer Monitoring System**

A total of \$2.9 million was provided for acquisition of a new video poker computer monitoring system in the Office of State Police. Statutory Dedications out of the Video Draw Poker Device Fund will fund this project.

### **Other Issues in State Police**

- Also in the Office of State Police, twenty-one intoxilyzers were replaced at a cost of \$113,820 in Statutory Dedications out of the Public Safety DWI Testing, Maintenance and Training Fund. These units are approximately 10 percent of the statewide total of 212.
- Fifteen positions were added in State Police for placement and training of a new cadet class — 9 positions in Traffic Enforcement; 2 positions in Criminal Investigation; and 4 positions in Gaming Enforcement. The total cost for these positions is \$970,220, which is funded by Fees and Self-generated Revenues.
- The Office of State Police also has a supplementary budget appropriation tied to the 1.75 percent FY05 “savings target.” A total of \$3.3 million is provided for DNA sampling of convicted offenders and felony arrestees out of the Criminal Identification and Information Fund.

**Office of Motor Vehicles**

The Office of Motor Vehicles received an appropriation of \$100,000 in State General Fund for the Organ Donor Awareness Initiative.

**State Fire Marshal**

A total of \$137,000 from the Louisiana Fire Marshal Fund was added for rewards and recognition payments for deputy state fire marshals that have received professional certification.



## Public Safety and Corrections – Youth Services

### FY06 Appropriation Level

<b>Youth Services</b>	<b>State General Fund</b>	<b>\$122,397,939</b>
	<b>Total Means of Financing</b>	<b>\$139,377,956</b>

The total means of financing for the Department of Public Safety and Corrections – Youth Services is funded at 104.3 percent of the department’s FY05 operating budget.

The department’s Table of Organization (T.O.) remained the same at 1,362 positions for FY06.

### **Funding for Female Juvenile Offenders**

A total of \$1.5 million from the Youthful Offender Management Fund was added for twenty community-based residential slots to address the needs of female offenders.

### **Increased Collections from the Social Security Administration**

A total of \$220,000 in Federal Funds was added to Youth Services based on increased collections from the Social Security Administration for reimbursement of the cost of care for eligible youth.

### **Additional Funding for Community-Based Programs**

Additional budget authority of \$899,264 in Statutory Dedications was provided to Youth Services due to an increase in the anticipated fund balance of the Youthful Offender Management Fund. The funding will be used for community-based services for juvenile offenders.

- Two legislative amendments were also provided for community-based programs, including \$15,000 in State General Fund for the Baton Rouge Walk of Faith Collaboration and \$50,000 for Novice House.

### **Transfer of the Going Home Re-entry Program**

A total of \$154,057 in Federal Funds was added for the transfer of the Going Home Re-entry Program from Corrections Services to the Office of Youth Development. This program is designed to assist serious, high-risk juvenile offenders with the transition from incarceration to returning to the community.

# Health and Hospitals

## FY06 Appropriation Level

<b>Health and Hospitals</b>	<b>State General Fund</b>	<b>\$1,403,062,888</b>
	<b>Total Means of Financing</b>	<b>\$6,576,606,075</b>

The total means of financing for the Department of Health and Hospitals is funded at 101.5 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) decreased by 215 positions to 12,274 for FY06.

### Louisiana's Medicaid Program

Overall, the Medicaid program is funded in FY06 at \$5.6 billion for reimbursements to health care providers of medical services to Medicaid clientele and the uninsured, with \$371.3 million in growth over the FY05 budget, assuming all contingent funding is realized.

- In response to projected increases in both costs and utilization of services, the FY06 budget includes an addition of roughly \$333.6 million for payments to various health care providers of medical services to Medicaid clientele and the uninsured.
- Due to increases in Medicare premium costs and utilization, \$49.7 million has been added to fully fund the anticipated costs of buying dual Medicaid/Medicare eligible individuals into the Medicare program.
- The \$12 million in funding for the Auxiliary Program has been non-recurred in FY06 as the state will no longer be able to generate revenues via intergovernmental transfers.

The overall growth itemized above includes the following adjustments for specific services that were targeted for reimbursement rate enhancements or programmatic augmentation in FY06.

- Uncompensated Care Costs payments to small rural hospitals and rural health clinics will increase by \$9.7 million in FY06 to total \$68.5 million.
- The amount of \$2.7 million was added to annualize the costs of the LaChoice program for its first full year of operation in FY06.
- An increase of \$2.6 million was amended into the FY06 budget for an additional 100 slots in the New Opportunities Waiver program.

- A total of \$2.4 million was added to fund an additional 74 slots in the various Medicaid Home and Community-based Services Waiver programs that provide alternative services to placement in a nursing home per the settlement agreement in the *Barthelemy v. Hood* lawsuit. In addition, \$8.2 million was added to the budget for FY06 to annualize the FY05 increase in these slots also resulting from this agreement.
- Amendments totaling \$1.3 million were adopted for increases in the reimbursement rates for pediatric dental services.

A substantial component of the Medicaid program's financing for FY06 (and future fiscal years) is the passage of a hospital provider fee during the 2005 Session. Act 182 (HB 887) of the 2005 Regular Session of the Legislature, also referred to as the Healthcare Affordability Act, assesses a 1.5 percent fee on total net patient revenue of non-state, non-federal, non-rural, non-rehabilitation, non-psychiatric, and non-long-term-acute-care hospitals.

In FY06, the provider fee on hospitals will generate \$89.1 million in revenues for the state that will be matched with \$208.1 million in Federal Funds to produce a total of \$297.2 million in funding for Medicaid and Uncompensated Care Costs payments to hospitals and other health care providers.

- The hospital provider fee helps finance a total of \$120.4 million in funding for the continued operation of the Medicaid program in FY06.
- In addition to the general support of the Medicaid program, the hospital provider fee results in two increases specifically for hospitals.
  - The first increase funds an augmentation of the Medicaid reimbursement rates for acute care inpatient hospital, psychiatric hospital, and outpatient hospital services at a total cost of \$101.1 million in FY06.
  - The second increase adds \$75.7 million for payments of 75 percent of the uncompensated care costs of non-rural, non-state hospitals for health care services provided to uninsured or medically indigent individuals.
  - The two additions result in a net gain by hospitals of \$82.7 million, once the increased payments are discounted for the taxes paid and a shift of annual uncompensated care costs payments.

The federal Centers for Medicare and Medicaid Services (CMS) will have to approve the use of the fee as state financial participation in the Medicaid program prior to any additional federal funds being generated with state hospital provider fee revenues.

## **State Nursing Homes**

Despite the Governor's Executive Budget Recommendations to close the New Orleans Home and Rehabilitation Center, funding was fully restored for the facility in FY06 at the FY05 budget level of \$7.2 million.

## **Public Health Services**

In FY06, the budget for the Office of Public Health (OPH) is \$337.7 million, an increase of \$19.1 million over FY05.

- OPH projects that the increase in Women, Infants, and Children (WIC) clients experienced in FY04 and FY05 will continue into FY06. As such, an additional \$9.1 million has been budgeted for the WIC program in FY06, resulting in a total budget of \$99.6 million for WIC administration and services.
- In an effort to stabilize funding for public health services in FY06, an additional \$2.3 million was appropriated to OPH for operating costs to ensure the continuation of vital services, including immunization programs for children aged two and under.
- Increases totaling roughly \$2.1 million in the federal grants from the Health Resources Services Administration and Centers for Disease Control and Prevention for HIV prevention, services and surveillance will allow OPH to expand HIV testing and drug assistance programs in FY06.
- To address the need to increase the state's effort to combat tobacco use, an additional \$1.5 million was appropriated to OPH in FY06 for tobacco prevention education programs.

## **Mental Health Services**

Overall, spending on Mental Health Services in the Office of Mental Health (OMH) and the three mental health areas will decrease \$17.9 million in FY06 to total \$250.6 million.

- The decrease stems from the transfer of \$29.3 million from the mental health areas to the respective human services authorities/districts. In an effort to directly appropriate funding to the districts whenever possible rather than flowing revenues through the state offices for the local human services authorities/districts, \$7.7 million was transferred out of Mental Health Area B and \$21.6 million out of Mental Health Area A.
- In an effort to stabilize funding for mental health services in FY06, an additional \$9.5 million was appropriated to OMH and the three mental health areas for operating costs to ensure the continuation of services, including rural mental health clinics.

## **Developmental Disabilities Services**

Overall, spending on Developmental Disabilities Services increases by \$9.5 million in FY06 to total \$254.2 million.

- In response to the recommendations of the Governor's Health Care Reform Panel, \$5.3 million and 80 positions were transferred to OCDD in the dissolution of the Bureau of Community Supports and Services in an effort to provide the most cost effective administration of community services possible.
- In an effort to stabilize funding for developmental disabilities services in FY06, an additional \$3 million was appropriated to OCDD for operating costs at the developmental centers.

## **Addictive Disorders Services**

Overall, spending on Addictive Disorders Services increases by approximately \$5.7 million in FY06 to total \$78.9 million.

- Two federal grants received by the Office for Addictive Disorders (OAD) in FY05 were annualized for FY06 resulting in a \$4.3 million increase in Federal Funds.
  - The addition of \$3.6 million in FY06 produces a total of \$7.6 million in federal funding for the second year of the three-year Access to Recovery Grant that is expanding treatment and recovery support services in Louisiana while implementing a freedom of choice voucher system to broaden the base of service providers.
  - The addition of \$750,965 to OAD's budget in FY06 brings the second year of funding from the federal Strategic Prevention Framework State Incentive Grant to \$2.3 million. This five-year grant is funding OAD's implementation of a new Strategic Prevention Framework to advance community-based programs for substance abuse prevention and mental health promotion through the use of public health research findings and application of this knowledge, along with evidence-based prevention programs that promote mental health and prevent substance abuse, to create healthier communities.
- OAD will receive an additional \$777,850 in funding derived from the Compulsive and Problem Gaming Fund in FY06 - \$318,850 from the carry forward of the FY05 unencumbered balance into FY06 and \$459,000 from the dedication of 1 percent of the revenues deposited into the Pari-mutuel Live Racing Facility Gaming Control Fund pursuant to Act 475 (HB 268) of the 2005 Regular Session of the Legislature.
- OAD's State General Fund appropriation grew by \$637,863 in FY06 due to an increase in the required state maintenance of effort (MOE) for the federal Substance Abuse Prevention and Treatment Block Grant in FY06.

# Social Services

## FY06 Appropriation Level

<b>Social Services</b>	<b>State General Fund</b>	<b>\$209,566,486</b>
	<b>Total Means of Financing</b>	<b>\$930,561,082</b>

The total means of financing for the Department of Social Services is funded at 98 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) decreased by 56 positions to 5,269 for FY06.

## Fiscal Year 2006 Temporary Assistance to Needy Families Initiatives

A total of \$52.1 million has been allocated from the Temporary Assistance to Needy Families (TANF) block grant for initiatives for FY06.

- The only major fiscal change to the program was the addition of \$500,000 for abortion alternatives by the House.
- The Senate also amended the bill to move teen pregnancy prevention from the Department of Education back to DSS for administration and monitoring of the program.

<b>FY06 TANF Initiatives</b>	
<b>Initiatives</b>	<b>Amount</b>
<b>Literacy</b>	
Public Pre-K (LA4)	\$ 17,000,000
Private Pre-K	\$ 8,500,000
After-school programs	\$ 9,500,000
Truancy and assessment services	\$ 700,000
<b>Sub-total:</b>	<b>\$ 35,700,000</b>
<b>Employment</b>	
Micro-enterprise development	\$ 750,000
Teen pregnancy	\$ 5,500,000
CASA	\$ 3,000,000
Drug courts	\$ 5,000,000
<b>Sub-total:</b>	<b>\$ 14,250,000</b>
<b>Other</b>	
Individual Development Accounts (IDA's)	\$ 1,000,000
Earned Income Tax Credit (EITC)	\$ 315,000
Foster Care Developmental and Socialization Activities Program	\$ 325,000
Abortion Alternatives	\$ 500,000
<b>Sub-total:</b>	<b>\$ 2,140,000</b>
<b>GRAND TOTAL:</b>	<b>\$ 52,090,000</b>

### **Other Issues in the Office of Family Support**

A total of \$4.2 million in Federal Funds was added to the Client Services Program for the activities of Support Enforcement Services.

- This funding will be divided among five initiatives: Customer Service Center (\$1.4 million); Data Reliability Clean-up (\$775,000); Vital Records Interface (\$775,000); Medical Support Consortium (\$775,000); and Communications RFP (\$395,000).

A total of \$2.6 million in Federal Funds was provided for 50 positions and related expenditures for Support Enforcement Services activities in the Administrative and Client Services Programs.

- Seventeen of the positions are required to provide sufficient staff to maintain financial standards required by auditors, and 33 of the positions will be social services specialists who will help reduce the caseloads for intake and collections.
- Office equipment, supplies, and rent for additional space required in five parishes are also included in the funding total.

A total of \$968,960 (\$455,411 in State General Fund and \$513,549 in Federal Funds) was provided for processing of Food Stamp and FITAP client benefits through the electronic benefits transfer (EBT) contract via the EBT cards issued to recipients.

A total of \$25,000 in State General Fund was set aside for the Kujui Center for teen pregnancy prevention efforts in the St. Thomas area of New Orleans.

### **Residential Care in the Child Welfare Services Program**

A total of \$3.5 million in State General Fund and Federal Funds were added to the Child Welfare Services program for residential care.

- The State General Fund portion was \$2 million, which was used to draw down additional Federal dollars of \$1.5 million.
- The State General Fund was freed up for use in Child Welfare Services via a means of financing swap with \$2 million in Federal Funds from the Office of Family Support for Support Enforcement Services activities.

### **Funding for the Jefferson Parish Juvenile Court**

The Senate added \$250,000 in Federal Title IV-E Funds to the Child Welfare Services Program for the Jefferson Parish Juvenile Court.

- This addition will provide the matching funds required for this program.

- Funding will be used for pre-placement activities to reduce the number of children who would otherwise be placed into out-of-home foster care and to enable reasonable candidates for foster care to remain at home.

### **Other Additions to Community Services**

A number of legislative amendments, all funded by State General Fund, were added for various entities, including: \$100,000 for the Rapides Children's Advocacy Center; \$100,000 for the Wilbert Tross, Sr. Community Development and Counseling Center; \$75,000 for the Lower Algiers Community Center for the Inter-Generational Education Program; \$75,000 for the Safe Haven Initiative; \$50,000 for D'Arbonne Community Development, Inc.; \$50,000 for Tree of Life Mentoring, Inc.; and \$25,000 for the Booker T. Washington Community Outreach Project.

### **Additional Funding for the Randolph-Sheppard Program**

A total of \$198,872 in Statutory Dedications was added for additional collections out of the Blind Vendors Trust Fund in Louisiana Rehabilitation Services. These funds are necessary to cover insurance premiums for blind vendors working in, or retired from, the Randolph-Sheppard program.



# Natural Resources

## FY06 Appropriation Level

Natural Resources	State General Fund	\$ 7,308,707
	Total Means of Financing	\$140,076,682

The total means of financing for the Department of Natural Resources is funded at 89.6 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) decreased by 4 positions to 508 for FY06.

### Louisiana Royalty Relief Dry Hole Credit Program

Act 298 (SB 182) of the 2005 Regular Session of the Legislature creates the Louisiana Royalty Relief Dry Hole Credit Program.

- Funding for this program in the amount of \$255,000 in Statutory Dedications out of the Mineral Resources Management Fund and 3 positions were added to the Office of Mineral Resources.
- The program is applicable for certain drilling in mineral leases on Louisiana offshore state lands and state-owned water bottoms.

### Federal Energy Settlement Reductions

A total of \$527,458 in Federal Funds was reduced in the Office of the Secretary due to decreased funding available from the U.S. Department of Energy because of diminished activity in the Federal Energy Settlement for Exxon and the Office of Hearings and Appeals (OHA).

- The Federal Energy Settlement Funds were derived from fines paid by oil producers who violated price and distribution controls set by the Federal government during the 1980's, and are distributed to the states according to formula set by the Department of Energy.

### Rural Water Association Transferred

Funding in the amount of \$250,000 in State General Fund was eliminated in the Office of Conservation due to the transfer of the Rural Water Association to the Governor's Office of Rural Affairs.

**Ongoing Hydrilla Eradication Efforts**

A total of \$75,000 in State General Fund has been provided in DNR's base budget for continued eradication of hydrilla in Henderson Lake. The same amount was appropriated for these efforts in FY05.

**False River Drainage Study**

A total of \$15,000 in State General Fund was added to the Atchafalaya Basin Program via a legislative amendment for a study on the drainage of False River and its outlets.

# Revenue

## FY06 Appropriation Level

<b>Revenue</b>	<b>State General Fund</b>	<b>\$32,107,262</b>
	<b>Total Means of Financing</b>	<b>\$90,130,779</b>

The total means of financing for the Department of Revenue is funded at 101 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) decreased by 21 positions to 929 for FY06.

### Budget Adjustments and Changes in Means of Financing

Although the net change in the department's total budget from FY05 to FY06 is only \$874,162, State General Fund revenues decreased by total of \$10.1 million for FY06.

- The department will spend an additional \$4.5 million in self-generated revenues for information technology projects in FY06.
- A \$5 million means of financing substitution reducing State General Fund and increasing Fees and Self-generated Revenues was adopted due to an increase in late payment/delinquent fees available to the department in the Tax Collection Program.
- A State General Fund budget reduction of \$3.3 million was made in response to the completion of the Integrated Tax System - designed to streamline and enhance the productivity of tax collections – in FY05.
- Another \$915,863 in State General Fund was removed from the department's operating budget to balance the department's budget with historical spending trends in operating costs.

# Environmental Quality

## FY06 Appropriation Level

<b>Environmental Quality</b>	<b>State General Fund</b>	<b>\$ 7,099,513</b>
	<b>Total Means of Financing</b>	<b>\$149,273,100</b>

The total means of financing for the Department of Environmental Quality is funded at 105 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) increased by 23 positions to 1,044 for FY06.

### Environmental Compliance Divisions

A total of \$178,415 in Statutory Dedications out of the Environmental Trust Fund and 4 positions were added to two divisions within the Office of Environmental Compliance.

- The Radiation Protection Division was created from the Radiation Protection Program and the Emergency Response Group to provide a unified, comprehensive radiation protection program to address multiple hazardous situations. Two additional positions at a cost of \$83,680 were added for this new division, one environmental supervisor and one environmental scientist manager.
- The Surveillance Division received an additional \$94,735 and 2 positions to improve its surveillance, monitoring, and response capabilities along the Mississippi River between New Orleans and Baton Rouge.

### Solid and Hazardous Waste Permits

Seven positions and \$205,173 in Statutory Dedications out of the Environmental Trust Fund were provided in the Office of Environmental Services for processing of solid and hazardous waste permits. These positions and funding are necessary to keep up with demand for services from municipal and industrial solid waste landfills and from industrial and commercial facilities that manage and dispose of hazardous waste.

### Small Business Assistance Program

Five positions and \$159,587 in Statutory Dedications out of the Environmental Trust Fund were added for the Small Business Assistance Program in the Office of Environmental Services.

- This program was originally developed as a requirement for the Clean Air Act, but is expanding into statewide outreach and compliance assistance for small businesses and local government.
- Customer service assistance will also be expanded in regional offices to assist citizens with resolving environmental issues.

### **Terrebonne Basin Watershed**

A total of \$550,280 in Federal Funds was added to the Office of Environmental Assessment for the department to work on watershed plans for the Terrebonne Basin.

- These plans will be designed to develop pollution reduction strategies to control non-point source runoff from agricultural crops, urban areas, and home sewage systems.

### **Brownfields Cleanup Revolving Loan Fund**

A total of \$577,014 in Statutory Dedications was added to implement and to capitalize the Brownfields Cleanup Revolving Loan Fund, which was created by Act 655 of the 2004 Regular Session of the Legislature.

- Of this total, \$500,000 is from the Brownfields Cleanup Revolving Loan Fund and \$77,014 from the Hazardous Waste Site Cleanup Fund.
- This program provides low-interest loans for cleanup of qualifying brownfields properties, which could result in their redevelopment and reuse.

# Labor

## FY06 Appropriation Level

<b>Labor</b>	<b>State General Fund</b>	<b>\$ 375,000</b>
	<b>Total Means of Financing</b>	<b>\$266,762,429</b>

The total means of financing for the Department of Labor is funded at 106.5 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) remained the same at 1,208 positions for FY06.

### Workforce Development

Federal funding for community-based services is increasing in FY06.

- The \$3.4 million growth in the federal Community Services Block Grant produces a total of \$14.8 million in spending for the Community Based Services Program in the Office of Workforce Development in FY06.
- This program allows the Department of Labor to provide financial and technical assistance to community action agencies for programs serving low-income families.

Also, funding for certain programs/initiatives did not change from FY05 to FY06.

- For FY06, funding for the Incumbent Worker Training Program is continued at \$41.6 million. This program was separated from of the Job Training and Placement Program within the Office of Workforce Development in FY05.
- The funding begun in FY05 for the New Orleans Computer Technical Village (\$300,000) and Job Training and the New Orleans Opportunities Industrialization Center (\$300,000) is continued in FY06.

### Workers' Compensation

Funding for the Injured Worker Reemployment Program is increasing by \$4.2 million in FY06 to total \$40.2 million due to growth in the revenues deposited into the statutory dedication, the Louisiana Workers' Compensation Second Injury Board Fund, funding the program.

**Proposed FY06 Budget and Personnel Reductions  
Under Review by the Joint Legislative Committee on the Budget**

Despite no mention of any monetary problems to the legislature throughout the appropriations process, the Department of Labor decided to implement budget and personnel reductions in the Workforce Investment Act (WIA) and the Unemployment Insurance (UI) programs at the beginning of FY06. As such, the Joint Legislative Committee on the Budget will discuss the matter with the department at its meeting in August and will closely monitor the department's budget management throughout the fiscal year.

# Wildlife and Fisheries

## FY06 Appropriation Level

<b>Wildlife and Fisheries</b>	<b>State General Fund</b>	<b>\$ 150,000</b>
	<b>Total Means of Financing</b>	<b>\$90,240,671</b>

The total means of financing for the Department of Wildlife and Fisheries is funded at 99.4 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) increased by 4 positions to 797 for FY06.

### Federal Grant for Manchac Wildlife Management Area

A total of \$1 million in Federal Funds was added to the Office of Wildlife from a North American Waterfowl Conservation Act grant for the protection and restoration of wetland habitat on the Manchac Wildlife Management Area.

### Funding for White Lake Ownership Transfer

Statutory Dedications out of the White Lake Property Fund in the amount of \$794,864 were added to the Office of Wildlife for transfer of ownership of the White Lake Wetlands Conservation Area. This transfer is pursuant to Act 613 of the 2004 Regular Session, which established the White Lake Property Advisory Board within the Department of Wildlife and Fisheries, among other things.

### Shrimp Trade Petition Account

In the Office of Fisheries, a total of \$268,000 in Statutory Dedications out of the Shrimp Trade Petition Account in the Conservation Fund was added for the promotion and protection of domestic wild-caught shrimp.

- This account was created by Act 904 of the 2004 Regular Session of the Legislature and is funded by a shrimping industry-initiated fee to be collected during the 2005 and 2006 license years. The department is the collecting agency for this fee.
- This account also provides for expenses related to the trade petition filed by the Southern Shrimp Alliance for imposition of anti-dumping duties pursuant to Section 371 of the U.S. Tariff Act of 1930.



**Aquatic Weed Eradication**

A total of \$150,000 in State General Fund was provided in the Office of Fisheries for aquatic weed eradication in Toledo Bend.

**Charter Boat Association Funding**

In the Office of the Secretary, \$50,000 in Statutory Dedications out of the Conservation Fund was provided via legislative amendment to the Louisiana Charter Boat Association for printing and distribution of materials promoting the state's charter boat industry and for general promotion and protection of the Louisiana fishery.

## Civil Service

### FY06 Appropriation Level

Civil Service	State General Fund	\$ 2,089,408
	Total Means of Financing	\$14,047,195

The total means of financing for the Department of Civil Service is funded at 101.5 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) decreased by 1 position to 175 for FY06.

### Major Budgetary Changes

Most of this department's changes in funding are due to standard statewide adjustments.

# Retirement Systems

## FY06 Appropriation Level

<b>Retirement Systems</b>	<b>State General Fund</b>	<b>\$1,281,350</b>
	<b>Total Means of Financing</b>	<b>\$1,281,350</b>

The total means of financing for the Retirement Systems is funded at 73.1 percent of the systems' FY05 operating budget. These systems include the Louisiana State Employees' Retirement System (LASERS) and the Teachers' Retirement System (TRS).

This appropriation only reflects state contributions to the TRS for the LSU unfunded liability program, supplementary allowances provided by various legislation, and supplemental payments to LSU Cooperative Extension retirees.

There is no Table of Organization (T.O.) for either of these systems.

## General Retirement Issues

During the 2005 Regular Session of the Legislature, the Governor proposed using \$50 million to pay down the projected debt of the state retirement systems for public employees and teachers.

- This proposal included \$30 million from increased recognized revenues and another \$20 million in proceeds from the proposed cigarette tax, on which no action was taken.
- At the time of the proposal, the Commissioner of Administration estimated that the proposal would save at least \$200 million in future payments on the retirement systems' unfunded accrued liability (UAL). The UAL is the money the systems are projected to be short when paying all active employees' retirements in the future.
- This proposal, however, was not included in the final version of Act 138 (HB 842) of the 2005 Regular Session of the Legislature, the FY05 Supplemental Appropriation Act.

Act 138 did, however, provide an additional \$20 million directly to local school boards to help them defray the rising costs of pension benefits for their employees.

# Higher Education

## FY06 Appropriation Level

<b>Higher Education</b>	<b>State General Fund</b>	<b>\$1,105,223,718</b>
	<b>Total Means of Financing</b>	<b>\$2,447,175,710</b>

The total means of financing for Higher Education is funded at 104.1 percent of the FY05 operating budget.

This appropriation includes the Board of Regents, the Louisiana Universities Marine Consortium (LUMCON), and boards and institutions under the management of the Louisiana State University System, the Southern University System, the University of Louisiana System, and the Louisiana Community and Technical Colleges System.

The Table of Organization (T.O.) for Higher Education increased by 5 positions to 164 for FY06.

## Enhancements to General Operational Costs

### Personal Services Costs

Act 16 provided an additional \$23.9 million in State General Fund for merit increases, group insurance, and retirement costs at the higher education institutions.

- Approximately \$19.1 million was appropriated directly to the institutions.
- The Board of Regents will allocate \$2.9 million to the schools.
- A specific appropriation of \$1.8 million (or about \$400,000 greater than estimated costs) was made to the LSU Agricultural Center.

### Operating Expenses

Act 16 also appropriated \$10 million in new funding from the Higher Education Initiatives Fund to be distributed to the various higher education institutions in accordance with a plan developed and approved by the Board of Regents and approved by the Division of Administration.

- These funds will be allocated to provide for performance incentives in support of institutional efforts to achieve the goals and objectives of the Master Plan for Postsecondary Education and for continued growth and development of community and technical colleges and learning centers.

- As the institution's mandated costs have been covered between direct State General Fund appropriations and the three-percent tuition increase, these enhanced funds will likely be distributed to institutions for other institutional priorities that might include faculty pay adjustments, increased utility costs, to address possible enrollment declines that may occur from higher admission requirements.

#### Adjustments to Address Operating Revenue Shortfalls at the State Hospitals Operated by the LSU Health Sciences Center – Shreveport

University Hospital in Shreveport and E. A. Conway Medical Center in Monroe both faced shortfalls in revenues for operating costs as the budget was presented to the legislature.

- The legislature added \$19.6 million in additional uncompensated care costs payments to University Hospital to continue FY05 service levels into FY06.
- The additional payments bring the total budgeted revenues for University Hospital to \$279.2 million in FY06. Based on past experience, roughly \$30 million to \$40 million of these revenues will be used to support the LSU Medical School in Shreveport.
- The legislature added \$9.1 million in additional uncompensated care costs payments to E. A. Conway Medical Center to continue FY05 service levels into FY06.
- The additional payments bring the total budget for E. A. Conway Medical Center to \$77.6 million in FY06.

#### Adjustments to Address Accreditation Issues at the University of Louisiana - Monroe School of Pharmacy

The School of Pharmacy at the University of Louisiana – Monroe received an additional \$2 million for expenditures necessary in FY06 to assist in the maintenance of the school's accreditation.

#### **Exemption from Governor's Savings Target Reductions**

Higher Education was essentially held harmless from the savings targets implemented by the Governor for the current fiscal year.

- The amount of \$17.5 million generated from a 1.75 percent savings target for FY06 is reallocated to the institutions for general operating expenses in the supplemental section of the bill.
- The Governor implemented a 3.5 percent statewide State General Fund savings target for FY06.

### **Three-Percent Tuition Increase**

Act 1117 of the 2001 Regular Session of the Legislature allowed each higher education management board to raise tuition and mandatory attendance fees by three percent annually through July 1, 2005. These increases were subject to approval by the Joint Legislative Committee on the Budget, which approved the increase for this coming fall semester at its March meeting.

- This tuition increase is appropriated at \$17.6 million to the various systems as follows: the Louisiana State University System, \$6.7 million; the Southern University System, \$1.3 million; the University of Louisiana System, \$7.6 million; and the Louisiana Community and Technical Colleges System, \$1.9 million. The appropriation to each system provides for a specific allocation by institution.
- The three-percent tuition increase for FY06 is covered by the state under Tuition Opportunity Program for Students (TOPS) awards in Act 16.

### **Health Care Workforce Development**

The Health Care Workforce Development initiative was appropriated an additional \$3 million, or \$6.6 million in total funding, through the Board of Regents.

- The Board intends to use the additional funding for a new cohort of students in the allied health and nursing programs funded in the prior fiscal year.
- The total funding for the program will be roughly allocated to the institutions as follows: greater New Orleans area, \$3.4 million; other areas of the state, \$1.5 million; and statewide initiatives, \$1.6 million.

### **Louisiana Optical Network Initiative (LONI)**

The appropriation to the Board of Regents includes \$4 million in State General Fund for the Louisiana Optical Network Initiative (LONI).

- The project is a ten-year initiative to construct a statewide, fiber optic network to allow the networking of computers with other research universities across the country.
- The initiative provides the capital costs for Louisiana universities to gain access to the national Internet (I2), a parallel Internet system reserved exclusively for university and scientific research.

### **Library and Scientific Acquisitions**

Higher Education received an appropriation of \$5 million for Library and Scientific Acquisitions. Additionally, the Capital Outlay Act contains \$6.5 million in general obligation bonds for Library and Scientific Acquisitions. The language for this appropriation provides an option for expenditure of funds on the Louisiana Optical Network Initiative.

## **Endowed Chairs and Professorships**

The appropriation to the Board of Regents for Endowed Chairs and Professorships is \$20.8 million. The funding dedicated for this activity includes \$11.5 from the Louisiana Quality Education Support (8g) Fund and \$9.3 million from the Higher Education Initiatives Fund.

- The recurring funding of \$6.2 million in 8(g) funds is provided for the Endowment of Chairs at \$3.6 million and the Endowment of Professorships, through the Enhancement of Academics and Research category, at \$2.6 million.
- New funding of \$12 million was appropriated from the Higher Education Initiatives Fund, \$9.3 million, and from additional 8(g) funds, \$2.7 million. This new funding will be used to match \$18.6 million in private donations to create a funding pool of \$30.6 million for both endowed chairs and professorships.
- The amount of \$2.6 million was appropriated from prior year unexpended funds for the Endowment of Professorships.

## **Significant Budget Adjustments for the Louisiana Community and Technical Colleges System (LCTCS)**

Act 179 (HB 461) of the 2005 Regular Session repeals the Vocational-Technical Enterprise Fund.

- The new act provides that any balances remaining in the fund at June 30, 2005, may be retained as Fees and Self-generated Revenues in FY06 by the respective schools comprising the Louisiana Technical College (LTC).
- As a result, the LTC has been appropriated an additional \$2.8 million for FY06.

Revenues from various tuition increases previously approved by the Legislature have been appropriated to the LCTCS for FY06.

- Pursuant to Act 788 of the 2004 Regular Session, a four-percent operational fee increase has been imposed on LCTCS institutions for FY06. As a result, an additional \$1.8 million has been appropriated to LCTCS for FY06.
- Pursuant to Act 288 of the 2004 Regular Session, tuition increases imposed in FY05 have been annualized for FY06 at Sowela and Fletcher Technical Community Colleges. As a result, an additional \$412,914 has been appropriated to these LCTCS institutions for FY06.

The Governor **vetoed** a language amendment in Act 16 requiring, among other things, that at least half of the money allocated to the LTC be used for instruction. The veto message said the amendment's requirement infringed on the constitutional authority of the Boards of Regents and the LCTCS Board of Supervisors to manage the schools.

## **Continued Funding for Prior Year Initiatives**

A series of initiatives established in prior fiscal years will continue in FY06.

### Governor's Information Technology Initiative

The Governor's Information Technology Initiative received continued funding of \$18.5 million.

- The amount of \$15.5 million is appropriated to five principal institutions as follows: Louisiana State University, \$7 million; the University of New Orleans, \$2.5 million; Southern University, \$1.2 million; Louisiana Tech, \$1.9 million; and the University of Louisiana at Lafayette, \$3 million. The remaining \$3 million is appropriated to other institutions statewide (\$2 million) and for Internet connectivity at the research schools (\$1 million).
- The total appropriation above for this initiative does not include the \$2 million enhancement to the Center for Computation and Research at Louisiana State University. The center administers the university's portion of the information technology initiative.
- The Governor's Information Technology Initiative was first funded in FY02. The funds are used to enhance information technology programs in targeted research areas at the institutions. While each institution differs in its information technology activities, the funding is typically used to hire additional faculty, develop new academic programs, conduct research, expand or create databases, and build relationships with industry.

### Governor's Biotechnology Initiative

Act 16 provides continued funding of nearly \$3.8 million to the Board of Regents for the Governor's Biotechnology Initiative.

- These expenditures provide funding to universities to enhance research capacity in emerging fields that are tied to the state's economic development efforts outlined in *Vision 20/20*. The funding is intended to invest in faculty, facilities, and research equipment at institutions with expertise in biotechnology research.

### Aid to Independent Colleges

The amount of \$4.3 million is appropriated to the Board of Regents for eligible resident students at the various private colleges and universities in the state.

- The participating schools include the following colleges and universities: Centenary College, Dillard University, Louisiana College, Loyola University, Our Lady of Holy Cross, Tulane University, Tulane University Health Sciences Center, Xavier University, Our Lady of the Lake College, and St. Joseph Seminary College.
- This level of funding was provided in the prior fiscal year.



### Truancy Assessment and Service Centers

The Truancy Assessment and Service Centers are funded through Louisiana State University in Baton Rouge at \$4.5 million in FY06, an increase of \$ 98,534 over the prior fiscal year.

- All of the funding is provided from the State General Fund except for \$700,000 from Temporary Assistance to Needy Families (TANF) monies transferred from the Department of Social Services. The total funding includes \$75,000 for a new truancy center for the Twenty-Third Judicial District Court.
- The seventeen centers statewide identify high-risk students, conduct assessments to determine student needs, and require participation of the child and family in appropriate interventions. The goal of the program is to reduce the occurrence of continued unauthorized school absences and delinquent behavior.

### Gene Therapy Research Consortium

Act 16 continues funding of \$3.1 million in State General Fund for the Gene Therapy Research Consortium, a partnership between the LSU Health Sciences Centers in both New Orleans and Shreveport and the Tulane University Health Sciences Center.

- The consortium provides research on the use of gene therapy to treat diseases including cancer, cystic fibrosis, heart disease, spinal cord repair, alcoholism, bone diseases, and other diseases or genetic conditions.

### Faculty Recruitment at the LSU Health Sciences Centers

A total of \$2.2 million will be spent in FY06 of faculty recruitment efforts at the LSU Health Sciences Centers.

- The LSU Health Sciences Center – New Orleans received an additional \$250,000 in faculty recruitment funding for FY06. This appropriation brings the total funding in FY06 for faculty recruitment packages at the LSU Health Sciences Center – New Orleans to \$1.7 million.
- At the LSU Health Sciences Center – Shreveport, funding for faculty recruitment is continued at \$500,000 for FY06.

## Special Schools and Commissions

### FY06 Appropriation Level

<b>Other Education</b>	<b>State General Fund</b>	<b>\$161,445,589</b>
	<b>Total Means of Financing</b>	<b>\$276,581,176</b>

The total means of financing for Special Schools and Commissions is funded at 104.1 percent of the schools' and commissions' FY05 operating budgets.

These agencies include: the Louisiana School for the Visually Impaired (LSVI); the Louisiana School for the Deaf (LSD); the Louisiana Special Education Center (LSEC); the Louisiana School for Math, Science and the Arts (LSMSA); the Office of Student Financial Assistance (OSFA); the Louisiana Educational Television Authority (LETA); the Council for the Development of French in Louisiana (CODOFIL), the Board of Elementary and Secondary Education (BESE); the Louisiana Systemic Initiatives Program (LaSIP); and the New Orleans Center for Creative Arts – Riverfront (NOCCA-R).

The schools' and commissions' Table of Organization (T.O.) increased by 8 positions to 1,086 for FY06.

### **Tuition Opportunity Program for Students (TOPS)**

TOPS is funded at about \$8.8 million more in FY06 than in FY05. TOPS is fully funded at \$122.6 million for 43,000 students in FY06, enough to cover the approved three-percent tuition increase at the state's public colleges and universities.

- This tuition increase received Joint Legislative Committee on the Budget (JLCB) approval in March 2005, and funding has been provided to reflect the impact on TOPS in Act 16. Another factor increasing the cost of TOPS is due to an additional 1,600 students eligible for awards in FY06.
- Pursuant to Act 348 (SB 355) of the 2005 Regular Session, an additional \$1 million has been appropriated for the TOPS-Tech Early Start Program. This new program allows high school students to enroll in community and technical colleges before they receive their high school diplomas. They will be able to get their tuition paid through TOPS.

### **Student Tuition Assistance and Revenue Trust (START) Program**

The Office of Student Financial Assistance (OSFA) has been appropriated an additional \$1 million to meet the Savings Enhancement Fund obligations of the START Program in FY06. Essentially, these funds will be used as earnings enhancements and interest on earnings

enhancements for START accounts in accordance with relevant laws and regulations governing the START Program.

### **University of New Orleans Teleplex**

Due to a lack of a Memorandum of Understanding between the Louisiana Educational Television Authority (LETA) and the University of New Orleans (UNO), \$1 million in funding for the UNO Teleplex has been eliminated from the FY06 budget. The Teleplex was originally designed to house all public radio and television stations in the greater New Orleans area and to provide space for local technology companies.

# Education

## FY06 Appropriation Level

<b>Education</b>	<b>State General Fund</b>	<b>\$2,687,220,903</b>
	<b>Total Means of Financing</b>	<b>\$3,950,043,255</b>

The total means of financing for the Department of Education is funded at 106 percent of the department's FY05 operating budget.

The department's Table of Organization (T.O.) increased by 9 positions to 900 for FY06.

### Minimum Foundation Program (MFP)

The Legislature fully funded the Minimum Foundation Program (MFP) formula for providing basic state aid to local schools in FY06.

- The MFP is funded at \$2.7 billion for FY06, an increase of about \$51 million over the budget for FY05, due mainly to a built-in 2.75 percent increase.
- The MFP provides \$31.4 million for teacher pay raises in fifty-four of the state's sixty-eight parish and city school districts, but there is a wide variance in the amount available for each school system. The proposed raises range from \$0 to \$1,791 for the 59,000 school employees who hold teaching certificates. The average raise is \$530.
- Teachers in fourteen school systems will receive no raises through the MFP formula because their respective school systems will receive either the same funding or less funding than they received in FY05 due to student enrollment declines and/or a calculation of the systems' capabilities and efforts to raise local revenues that can be spent on public schools.
- Act 138 (HB 842) of the 2005 Regular Session, the FY05 Supplemental Appropriation Act, appropriates \$12.5 million outside of the MFP formula for a one-time salary supplement to all certificated school employees who otherwise would not receive the average \$530 raise.

Senate Concurrent Resolution 125 of the 2005 Regular Session, the FY06 MFP resolution, institutes several changes in the funding formula.

- The MFP now includes \$5.4 million in funding for the Recovery School District, which provides appropriate educational and related services to students who are enrolled in failing schools transferred to the district.

- The new MFP includes a provision that limits growth to 20 percent in the computed sales tax base for purposes of calculating the local wealth factor.
- The resolution adds a provision limiting the MFP's state funded expenditures to only "educational purposes".

#### **LA4 Pre-Kindergarten Program**

Act 16 also provides for a \$20 million increase to expand the LA4 Program's public school classes for at-risk four-year-olds.

- With this increase, LA4 is to be funded at \$69 million in FY06, serving a total of 36,400 at-risk four-year-olds.
- This represents 91.4 percent of the state's at-risk Pre-K population.

#### **Type 2 Charter Schools**

An additional \$2.3 million has been appropriated for Type 2 Charter Schools in order to provide for increased enrollment in FY06. It is anticipated that nearly 3,800 students will attend eight Type 2 Charter Schools in FY06, at a cost of \$24.5 million.

#### **Certified Professionals**

Act 16 provides \$2 million in new funding for nationally certified educational professionals, such as teachers, school psychologists and school counselors.

#### **Assessment Programs**

The Legislature has appropriated an additional \$1 million implement two new assessment programs in FY06: the English Language Development Assessment (ELDA) to assess proficiency in English; and the Online Diagnosis Test to target student mastery of the state's Grade Level Expectations (GLE).

#### **Special School District No. 1**

Act 16 also provides for a \$510,000 increase to provide funding and 10 positions for educational services for students in both private secure facilities and private residential facilities approved by the Office of Youth Development.

#### **Jobs for America's Graduates - Louisiana**

An additional \$500,000 has been appropriated in FY06 for the Jobs for America's Graduates – Louisiana (JAG-LA) Program, a dropout prevention and workforce preparation program for at-risk youth. This increases the funding for this program to \$1 million.

## **Various Federal Funds**

Additional Federal Funds have been appropriated to various Department of Education programs for FY06.

- The Disadvantaged or Disabled Student Support Program has been appropriated an additional \$86.3 million in No Child Left Behind funds from Title I grants and Language Acquisition grants for disadvantaged children. Further, Federal Funds for special education purposes have been appropriated to this program from the Individuals with Disabilities Education Act (IDEA).
- The School and Community Support Program has been appropriated an additional \$20 million in various school food and nutrition grants.
- The School Accountability and Support Program has been appropriated an additional \$12.4 million from the Title I Reading First and Comprehensive School Reform grants.
- The Quality Educators Program has been appropriated an additional \$6.9 million from both the Title II grant to improve teacher quality and No Child Left Behind funds from the Math and Science Partnership to pay for graduate education for teachers.

## LSU Health Sciences Center – Health Care Services Division

### FY06 Appropriation Level

<b>Health Care Services</b>	<b>State General Fund</b>	<b>\$78,166,380</b>
<b>Division</b>	<b>Total Means of Financing</b>	<b>\$78,166,380</b>

The total means of financing for the LSU Health Sciences Center – Health Care Services Division is funded at 281.5 percent of the division’s FY05 operating budget.

Per R.S. 17:1519.6(A), only State General Fund will be appropriated to the Health Care Services Division. All other means of financing are deposited directly into the Health Care Services Fund without appropriation. The current estimate of the total FY06 budget for the Health Care Services Division, after incorporating all legislative action on the budget, is \$920 million.

There is no Table of Organization (T.O.) for the division.

### **Stabilization of Funding for the Operation of the Charity Hospitals**

The Health Care Services Division (HCSD) faced a shortfall in revenues for projected expenditures in FY06 in the original version of the budget. The House and Senate both acted to ensure that HCSD would not have to downsize in FY06.

- The House added \$16.7 million in additional uncompensated care costs payments.
- The Senate added the remaining \$3.4 million in needed uncompensated care costs payments to ensure continuity in service provision in FY06.
- In addition, the Senate also funded \$24.7 million for additional Medicaid claims payments to HCSD in FY06 based on the most recent projections of needed service provision in FY06.
- These actions, in conjunction with all actions taken by the legislature on HCSD’s FY06 budget, result in estimated total financing for the eight hospitals of \$920 million.

### **Paying for Prisoner Health Care Services**

Total state funding of health care services for state and local prisoners became necessary after the federal government stopped providing federal financial participation through the Disproportionate Share Payments program for inmate health care prior to the commencement of State Fiscal Year 2003 (FY03).

- In FY06, HCSD estimates that \$27.5 million will be spent on the provision of health care services to state and local inmates at its facilities.
- This reduction of \$7.4 million from the prior year's expenditure level results from a decrease in the total number of services provided to prisoners due to the joint efforts of HCSD and the Department of Corrections to minimize these costs and the savings realized when annualizing the impact of the transfer of outpatient dialysis services for inmates from Earl K. Long Medical Center to Dixon Correctional Institute in FY05.



## Other Requirements

### **Sheriffs' Housing of State Inmates**

Sheriffs' Housing has been funded at \$156.2 million for FY06 to provide per diem for approximately 18,000 state inmates housed in local jails and detention centers.

- This is an increase of \$4.4 million over the FY05 budget of \$151.8 million.
- Parish sheriffs and local law enforcement are paid \$22.39 per day by the state to house state inmates in local jails or other detention centers.
- These inmates account for about 48.5 percent of the total state adult offender population.

### **District Attorneys and Assistant District Attorneys**

The funding for District Attorneys and Assistant District Attorneys increased by \$1.2 million over FY05 to total \$21.2 million in FY06.

- The FY06 appropriation grew by \$909,400 to meet increasing retirement contribution requirements.
- Additionally, \$254,000 was added by Legislative amendment to fund nine new assistant district attorneys as recommended by the Governor's Advisory and Review Commission on District Attorneys and in accordance with the provisions of Act 311 (SB 320) of the 2005 Regular Session of the Legislature.

### **Video Draw Poker – Local Government Aid**

Appropriations from the Fund increased by \$2.9 million to total \$43 million in FY06 to reflect changes in the Official Forecast adopted December 15, 2004, by the Revenue Estimating Conference. Monies are allocated to parishes and municipalities in which video draw poker devices are operated.

### **Higher Education – Debt Service and Maintenance**

A total of \$11.7 million will be spent in FY06 on Higher Education – Debt Service and Maintenance, an increase of \$2.4 million to provide for additional debt costs over FY05.

## **Two Percent Fire Insurance Fund**

Appropriations from the Fund increased by \$1.5 million to total \$14.5 million in FY06 to reflect changes in the Official Forecast adopted December 15, 2004, by the Revenue Estimating Conference. These funds will provide additional aid to local entities for fire protection.

## **State Aid To Local Government Entities**

Act 16 includes funding from both the State General Fund and dedicated funds for various local governmental and other entities in the amount of \$22.3 million.

## **Supplemental Pay to Law Enforcement Personnel**

Supplemental pay is budgeted at \$69.9 million for FY06. Of this amount, \$28.6 million is paid to deputy sheriffs; \$22.6 million to municipal police; \$18 million to local firefighters; and \$710,000 to constables and justices of the peace.

- This is a decrease of \$1.5 million from the FY05 budget of \$71.4 million due largely to an anticipated decline in the number of eligible municipal police officers participating.
- Law enforcement personnel who meet qualification standards are compensated at the rate of \$300 per month for police, firefighters, and deputy sheriffs, and \$75 per month for constables and justices of the peace.
- The program currently serves approximately 7,930 deputy sheriffs; 6,280 police officers; 5,005 firefighters; and 790 constables and justices of the peace.

## **DOA – Debt Service and Maintenance**

Due to a decrease in building and grounds maintenance and operating costs, the debt service budget was reduced \$2.2 million from FY05 to total \$36.5 million in FY06.

## **Homeland Security Funding in Fiscal Year 2006**

In FY06, the state will spend approximately \$73.4 million (mostly Federal Funds) on Homeland Security Initiatives in various departments.

### **Department of Military Affairs**

The Department of Military Affairs' FY06 budget contains a total of \$51.7 million in Federal Funds for various homeland security programs at the state and local level. The majority of these funds (\$46.2 million) will be transferred to State Police or other state agencies for expenditure primarily for specialized equipment and training services for local governmental homeland security/first responder entities.

- Major components for which funding is continued include: Homeland Security Grants Program; Law Enforcement Terrorism Prevention Program; Urban Area Security Initiative for Baton Rouge and New Orleans; and the Citizen Corps Program.
- New funding will be provided for the Emergency Management Performance Grant (a statewide program) and the Metropolitan Medical Response System (Shreveport, Jefferson Parish, Orleans Parish, and East Baton Rouge Parish).
- An additional \$500,000 of State General Fund was provided by amendment for the Southern Anti-Terrorist Regional Training Academy.

### **Office of State Police**

For FY06, a total of \$35.1 million in new and continuing federal homeland security funds has been budgeted for the Office of State Police. These funds will be received from the Department of Military Affairs, Office of Emergency Preparedness, for ongoing homeland security efforts.

### **Department of Health and Hospitals – Office of the Secretary**

The FY06 budget for the Department of Health and Hospitals - Office of the Secretary (DHH-OS) contains \$444,415 in Federal Funds for the second year in a two-year grant from the U.S. Department of Health and Human Resources - Health Resources and Services Administration for the Bioterrorism Hospital Preparedness Program.

- The grant totaled \$7.8 million to be spent over two fiscal years, FY 2005 and FY 2006. A BA-7 approved in December 2004 added \$7.3 million in FY05 and the remaining funding was added in FY06 in the Governor's Executive Budget.

- This program will create and maintain an emergency care network to care for a mass surge of patients with acute illness or trauma resulting from a mass casualty event.
- The grant is administered in conjunction with the Office of Public Health and Louisiana Hospital Association with the vast majority of the proceeds being paid to local EMS providers and hospitals.

### **Office of Public Health**

Continued into FY06, the budget for the Office of Public Health (OPH) contains \$21.2 million to detect and/or respond to a bio-terrorism event.

- The DHH Office of the Secretary transferred \$131,915 in FY06 to OPH to fund the latter's activities in Louisiana's efforts in the federal Bioterrorism Hospital Preparedness Program.
- A total of \$1.9 million in state funding finances personnel and activities in OPH to diagnose and combat a bioterrorism attack.
- Finally, a \$19.1 million federal grant from the U.S. Department of Health and Human Services – Centers on Disease Control and Prevention – National Center for Infectious Diseases funds Louisiana's portion of the Public Health Preparedness and Response for Bioterrorism Project in FY06.
  - The funding will be used to purchase needed communication equipment and software and hardware for the Public Health Information Network (PHIN) and Health Alert Network (HAN).
  - The networks, once implemented, will provide the mechanism necessary for an effective, coordinated public health response to a bioterrorism, chemical, or other public health threat.

### **Office of Mental Health**

The Office of Mental Health's budget contains continued funding in FY06 of \$100,000 to train mental health professionals in counseling for a mass crisis event. These funds are transferred from the Office of Public Health.

## Act 16 Gubernatorial Veto Messages

July 14, 2005

Mr. Alfred W. Speer  
Clerk of the House of Representatives  
State Capitol  
Baton Rouge, Louisiana 70804

Mr. Glenn Koepp  
Secretary of the Senate  
State Capitol  
Baton Rouge, Louisiana 70804

Re: House Bill No. 1 of the 2005 Regular Session of the Legislature  
An Act making appropriations for the ordinary expenses of the executive branch of state government, pensions, public schools, public roads, public charities, and state institutions and providing with respect to the expenditure of said appropriations.

Dear Gentlemen:

As authorized by Article III, Section 18(B), and more particularly, Article IV, Section 5(G)(1) of the Constitution of Louisiana, I have exercised my right to veto 20 items or provisions of the General Appropriation Bill.

### **VETO MESSAGE NO. 1:**

Page 34, Lines 43 through 45

This amendment provides \$50,000 payable out of state general fund to the Museum and Other Operations Program for the Tupper Museum in Jennings as pass-through funding. The Tupper Museum is operated by local government and the Secretary of State does not have jurisdiction over the museum. Funding was not requested by the Secretary of State and there is no explanation regarding how funding will be utilized. For these reasons, I am vetoing this amendment.

### **VETO MESSAGE NO. 2:**

Page 35, Lines 17 through 20

This amendment provides \$60,000 payable out of state general fund and increases the Table of Organization in the Museum and Other Program by one unclassified position at the Louisiana State Oil and Gas Museum. The position was not requested by the Secretary of State and there was no justification regarding the need for this position. This amendment increases the number of positions in state government which conflicts with the goal of the administration to minimize the growth of state government. Therefore, I am vetoing this amendment.

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**VETO MESSAGE NO. 3:**

Page 35, Lines 28 through 31

This amendment provides \$34,228 payable out of state general fund and increases the Table of Organization in the Museum and Other Program by two positions at the Louisiana State Exhibit Museum. The positions were not requested by the Secretary of State and there was no justification regarding the need for these positions. This amendment increases the number of positions in state government which conflicts with the goal of the administration to minimize the growth of state government. Therefore, I am vetoing this amendment.

**VETO MESSAGE NO. 4:**

Page 36, Lines 5 through 7

This amendment provides \$10,000 payable out of state general fund to the Museum and Other Operations Program for the Louisiana Military Museum in Ruston. This amendment provides excess funding for operational expenses of this museum. Adequate funding has already been provided to cover the necessary costs. For these reasons, I am vetoing this amendment.

**VETO MESSAGE NO. 5:**

Page 52, Lines 48 through 50

This amendment provides \$50,000 in state general fund to the Office of Business Development for HTV-Channel 10 for the Write-On Program. The state of Louisiana has a Music Commission which is dedicated to promoting and developing Louisiana's popular and commercial music and related industries to produce the highest possible economic and cultural benefit for the people of Louisiana. Therefore, this amendment would be a duplication of effort due to funding provided to the Louisiana Music Commission. For this reason, I am vetoing this amendment.

**VETO MESSAGE NO. 6:**

Page 53, Lines 4 through 6

This amendment provides \$126,000 in state general fund to the Office of Business Development for the Northeast Louisiana Film and Video Commission. The state of Louisiana has the Office of Film & Television Development within the Department of Economic Development which is dedicated to encouraging the development of a strong capital base for motion picture and television productions, in order to achieve a more independent, self-supporting industry throughout the state of Louisiana. Due to the funding already provided to the Department of Economic Development's Office of Film & Television Development, I am vetoing this amendment.

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**VETO MESSAGE NO. 7:**

Page 58, Lines 44 through 46

This amendment provides \$25,000 payable out of state general fund to the Office of State Museum as pass-through funding for the Friends of E.D. White for improvements to the E.D. White State Commemorative Area. This funding will be utilized to build a functional outdoor kitchen reflecting the 1800's. The Friends of E.D. White is a non-profit organization which has the ability to raise funding through private donations to supplement funding for the E.D. White Museum. The Organization should use this avenue as a means of funding this project. State funding for E.D. White, a state agency, is provided through the Department of Culture, Recreation, and Tourism - Office of the State Museum. This project was not requested within the Department of Culture, Recreation, and Tourism - Office of State Museum's budget request nor has the Department indicated that it is a priority. If the state is to fund this project, it should be requested through the Office of State Museum and prioritized by the Department. For these reasons, I am vetoing this amendment.

**VETO MESSAGE NO. 8:**

Page 65, Lines 25 through 28

This amendment provides \$50,000 payable out of state general fund to the DOTD Water Resources and Intermodal Program for operating expenses of the Amite River Basin Commission. The operation and maintenance of this project is the responsibility of local government. A tax election was held in July of 2000 approving a 3-mill property tax subject to homestead exemption on property located within the District. Ongoing operational and maintenance costs should have been addressed in conjunction with this property tax proposal. For these reasons, I am vetoing this amendment.

**VETO MESSAGE NO. 9:**

Page 68, Lines 12 through 26

This amendment provides \$140,000 payable out of state general fund to be used exclusively for construction of an enclosed drainage pipe along LA Highway 48 (Jefferson Highway) in the state owned right-of-way of the northeast quadrant of the intersection of LA Highway 48 and Folse Drive in Harahan, in the event that the sale, lease, conveyance, transfer, assignment, or delivery of a certain parcel of state property located in Jefferson Parish as more fully described in Act 222 of the 2005 Regular Session of the Legislature is effected and revenue from such transaction in the amount of \$140,000 is deposited into the state general fund. Jefferson Parish received a permit from the Department of Transportation and Development (DOTD) to do drainage improvements at this area within the past couple of years. The parish encountered some utility conflicts where three pipes come together and did not build a conflict/junction box so that they could close the hole up and finish the project. The hole has been in existence for over a year now and is away from the paved shoulder and beside the right of way with some of the hole being off of DOTD right of way. This is a local project and the responsibility of the parish. For these reasons, I am vetoing this amendment.

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**VETO MESSAGE NO. 10:**

Page 106, Lines 22 through 24

This language amendment requires the Department of Health and Hospitals (DHH) to maintain the current reimbursement rate for Medicaid prescription drugs. It prohibits any flexibility in reimbursement by DHH in budgetary deficits, and prohibits any redesign of the pharmacy reimbursement methodology. DHH was authorized and funded to conduct an ingredient study aimed at evaluating our pharmacy reimbursement rates. Analysis from the study may indicate that Louisiana Medicaid is reimbursing at a higher than reasonable reimbursement rate. In addition, with the Medicare Modernization Act (MMA) beginning coverage of Medicare Part D, DHH may benefit from these reimbursement methodologies. Both the Bush Administration budget for Federal FY06 and the NGA Report on Medicaid Reform propose going from average wholesale price to average sale price, which is less than average wholesale price. If Congress adopts those changes for Federal FY06, Louisiana would be unable to comply or take advantage of the savings if the language stays in the bill. For these reasons, I am vetoing this amendment.

**VETO MESSAGE NO. 11:**

Page 114, Lines 29 through 31

This language amendment within the Office of Public Health (OPH) states, "Provided, however, that the existing genetic testing programs with Tulane University Health Sciences Center for patient evaluation, management, and consultation with the newborn screening laboratory on positive newborn screens shall remain at the Fiscal Year 2005 level." OPH is committed to provide the same services for recipients in the genetics program as were provided last year. However, OPH should have the flexibility to provide those services in the most cost-efficient manner. This amendment precludes OPH from exploring alternate ways to provide this service and to determine if savings could be achieved. For these reasons, I am vetoing this amendment.

**VETO MESSAGE NO. 12:**

Page 197, Lines 1 through 14

This amendment, starting on line 1 with "In the event that HB 505..." and ending on line 14 with "the Chancellor's Office and all campuses", is a language amendment that ensures at least fifty percent (50%) of all educational and general expenditures of the Louisiana Technical Colleges (LTC) are in the area of instruction. The Louisiana Community and Technical College System Board of Supervisors must also submit to the Joint Legislative Committee on the Budget a monthly expense report indicating both monthly and year-to-date budgeted and actual educational and general expenditures for the LTC, including the Chancellor's Office and all campuses. This language infringes upon the constitutional and statutory authority of the Louisiana Community and Technical College System Board of Supervisors to manage and supervise the schools in their system. Moreover, the language conflicts with the Board of Regents constitutional budgetary and Master Plan authority that governs Higher Education. For the reasons stated, I am vetoing this amendment.



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**VETO MESSAGE NO. 13:**

Page 253, Lines 11 through 13

This amendment provides \$89,000 payable out of state general fund to the St. Tammany Arts Association for safety purposes. As this association is local in nature and serves an area of the state with a solid local tax base, the citizens of the area should shoulder the cost of this project if those citizens deem this project has merit. Items such as this are eligible for funding from the Arts Grant Program in the Office of Cultural Development, within the Department of Culture, Recreation and Tourism. For these reasons, I am vetoing this appropriation.

**VETO MESSAGE NO. 14:**

Page 254, Lines 10 through 12

This amendment provides \$25,000 payable out of state general fund to South Beauregard High School for athletic facilities. As South Beauregard High School is a public school, the local Page 286 of 286 school board should bear this cost if they determine this project has merit. For this reason, I am vetoing this appropriation.

**VETO MESSAGE NO. 15:**

Page 257, Lines 16 through 18

This amendment provides \$50,000 payable out of state general fund to East Feliciana Parish Police Jury for improvements to Lemon Road. The state already invests heavily in local parish transportation efforts both in the state's operating budget as well as through the capital outlay budget. The state provides \$31.2 million each year through the Parish Road Program for road improvements. Local governmental entities are required to prioritize their road maintenance needs based on merit. This road improvement should be reviewed by the parish based on need and prioritized accordingly. For this reason, I am vetoing this appropriation.

**VETO MESSAGE NO. 16:**

Page 259, Lines 12 through 14

This amendment provides \$40,000 payable out of the state general fund to Jackson Parish for Chatham Lake replacement drawn-down gates. This is a local endeavor and should be funded from local resources. For this reason, I am vetoing this appropriation.

**VETO MESSAGE NO. 17:**

Page 261, Lines 26 through 27

This amendment provides \$20,000 payable out of state general fund to the town of Leonville for drainage. This project has the potential of being funded through the federal government's

Mr. Speer and Mr. Koepp  
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Community Development Block Grant program or through the state's existing rural development program. For this reason, I am vetoing this appropriation.

**VETO MESSAGE NO. 18:**

Page 262, Lines 30 through 32

This amendment provides \$35,000 payable out of state general fund to the Baton Rouge Economic and Agricultural Development Alliance for "Buy Fresh, Buy Local". This alliance's efforts are local in nature. The alliance is located in an area of the state with a solid local tax base. If the citizens of that area deem this project has merit, then local revenue resources should shoulder the cost of the project. For this reason, I am vetoing this appropriation.

**VETO MESSAGE NO. 19:**

Page 265, Lines 1 through 2

This amendment provides \$25,000 payable out of state general fund to the St. Rose Cancer Center. No additional information has been provided to determine the merits of this entity or whether it duplicates existing state programs. For these reasons, I am vetoing this appropriation.

**VETO MESSAGE NO. 20:**

Page 265, Lines 20 through 22

This amendment provides \$150,000 payable out of state general fund to the town of Jennings for drainage improvements. This project has potential of being funded through the federal government's Community Development Block Grant program or through the state's existing rural development program. For this reason, I am vetoing this appropriation.

Sincerely,  
Kathleen Babineaux Blanco  
Governor

jw

# **Other Fiscal Year 2006 Appropriation Acts and Significant Related Legislation**

## **Fiscal Year 2006 Ancillary Appropriation Act Act 46 (House Bill 824)**

The Ancillary Appropriation Act totals \$1.5 billion for FY06. Act 46 provides for expenses incurred by agencies that generate their own income.

Act 46 reflects a \$15.9 million increase over FY05 due mainly a projected rate increase of 18 percent in the Office of Group Benefits, a mandated cost to be incurred by state agencies and institutions.

## **Fiscal Year 2006 Legislative Appropriation Act Act 66 (House Bill 858)**

The Legislative Expenses Act makes appropriations for the expenses of the legislature for the FY06 fiscal year.

The Act provides roughly \$60.2 million from the State General Fund for the salaries and allowances of members, officers, and staff of the House and Senate.

## **Fiscal Year 2006 Judicial Appropriation Act Act 56 (House Bill 836)**

Act 56 of the 2005 Regular Session of the Legislature appropriates a total of \$123.1 million for the operation of the judicial branch of state government in FY06. The revenues financing these expenditures include the following sources: \$107.1 million in State General Fund; \$8 million in Interagency Transfers (Temporary Assistance to Needy Families funds from the Department of Social Services); and \$7.9 million in statutory dedications from the Judges' Supplemental Compensation Fund (\$6 million), Trial Court Case Management Fund (\$1.9 million), and the Patient's Compensation Fund (\$10,000).

For FY06, the judicial budget increased by nearly \$8.1 million from the FY05 budget of \$115 million. Most of the growth stems from a \$5.9 million increase in State General Fund with the largest adjustments for the Court Appointed Special Advocates (CASA) and drug court programs.

- The CASA program's funding grew by \$1.5 million in State General Fund for FY06. The total spending in this program in FY06 amounts to \$4.5 million. The \$3 million in Temporary Assistance to Needy Families (TANF) funding that transferred with the program to the Supreme Court in FY05 has been continued in FY06.
- The Drug Court program received an increase of \$1.4 million in State General Fund for the expansion and enhancement of drug court services producing a total budget of \$13.3 million for the operation of drug courts across the state in FY06. As a part of the program's overall FY06 financing, drug courts will again receive \$5 million in TANF funding.

## **Fiscal Year 2006 Revenue Sharing Act Act 465 (House Bill 841)**

Act 465 of the 2005 Regular Session of the Legislature provides for the state's \$90 million revenue sharing distribution for FY06.

- The Revenue Sharing Fund is a special constitutional fund in the state treasury. Annually, \$90 million is allocated from the State General Fund to the Revenue Sharing Fund.
- Allocation and distribution of the Revenue Sharing Fund to parishes and their tax recipient bodies is based:
  - 80 percent on population (\$72 million); and
  - 20 percent on the number of homesteads (\$18 million).

There are three changes in Act 465 from the FY05 Revenue Sharing Act.

- First, Act 465 authorizes new tax recipient bodies and millages in Lafourche Parish and Webster Parish.
- Second, the FY06 Revenue Sharing Act corrects a millage rate in Acadia Parish.
- Third, the FY06 Act moves the Assessment District into the excess distribution in Vermilion Parish.

## **Special Funds Act Act 179 (House Bill 461)**

Act 179 of the 2005 Regular Session of the Legislature provides for a variety of actions impacting fund balances, amending authorizing and guiding statutes for certain funds, and creating new funds.

First, Act 179 authorized the deposit of \$19.7 million from various sources of revenues into the Louisiana Medical Assistance Trust Fund at the end of FY05 so that these monies could be carried forward into FY06 to finance expenditures in the Medical Vendor Payments (Medicaid) program.

This act also amended the law regarding the Vocational-Technical Enterprise Fund, Medicaid Trust Fund for the Elderly, and 2004 Overcollections Fund.

- The Vocational-Technical Enterprise Fund was repealed and the individual schools will retain their respective monies as self-generated revenues for expenditure in FY06.
- The authorization for the use of the principal of the Medicaid Trust Fund for the Elderly was extended to allow for it to be used for the reimbursement of any monies deposited into the fund as a result of over payments of Federal funds.
- The sunset of the 2004 Overcollections Fund was extended to the end of FY06. Also, monies in this fund at the end of a fiscal year are now to be retained in the fund.

Finally, Act 179 created two new funds in the state treasury.

- The Energy Performance Contract Fund captures the payments to the state made by the entities contracting with the state for this purpose. The payments are 1 percent to 2.5 percent, or the rate set by the commissioner of administration, of the total value of the contract.
- The Teacher Educational Aid for Children (TEACH) Fund captures monies specifically appropriated to this fund annually by the legislature for pay increases or salary increases for certificated personnel.

## **Fiscal Year 2005 Supplemental Appropriation Act Act 138 (House Bill 842)**

Act 138 of the 2005 Regular Session of the Legislature provided \$490.6 million in supplemental appropriations for FY05, of which \$389.6 million was State General Fund. The main source of funding for the FY05 Supplemental Appropriation Act was the additional \$342 million in State General Fund revenues for FY05 recognized by the Revenue Estimating Conference at its December 2004 and May 2005 meetings.

Act 138 authorized additional expenditures, budget reductions, means of financing substitutions, the payment of judgments, a debt defeasance, the capture of the savings from the mid-year 1.75 percent savings target and from the Early Retirement and Payroll Act personnel adjustments, and changes in capital outlay projects in FY05, as well as generated fund balances that were carried forward into FY06.

Overall, a total of \$131.8 million in budget adjustments were authorized in Act 138, of which \$25.3 million was State General Fund.

- The additional funding appropriated for FY05 totaled \$237.6 million (\$49.9 million in State General Fund). These expenditures ensured that the state met all of its obligations prior to the end of the fiscal year as well as addressed specific needs that arose during the course of the fiscal year requiring additional State General Fund appropriations.
- The budget reductions totaled \$105.8 million with \$24.6 million of the decrease in State General Fund. These reductions balanced budget authority to projected expenditures and generated additional revenues for other expenditures in FY05 and FY06.

Act 138 appropriated \$315.7 million in State General Fund and \$1.8 million in Fees and Self-generated Revenues for deposit into a variety of statutorily dedicated funds to be either utilized for various purposes in FY05 or carried forward into FY06 to fund expenditures during this fiscal year.

- Roughly \$265.6 million in State General Fund and \$962,139 in Fees and Self-generated Revenues were deposited into the Louisiana Medical Assistance Trust Fund to be utilized as state matching funds for the Medicaid program in FY06.
- A total of \$19.3 million in State General Fund was appropriated into the Higher Education Initiatives Fund for operating costs and programmatic enhancements in higher education in FY06.



- The TEACH Fund received \$12.5 million in State General Fund to finance a one-time salary supplement for certificated personnel of state and local schools.
- The Criminal Identification and Information Trust Fund received a total of \$10.1 million - \$9.2 million in State General Fund and \$865,983 in Fees and Self-generated Revenues – for the Office of State Police’s use in FY06.
- A State General Fund deposit of \$3.6 million was made into the Marketing Fund to finance one-time expenditures in FY06 by the Department of Economic Development on advertising and marketing.
- Act 138 also appropriated \$2.8 million in State General Fund to the Youthful Offender Management Fund that the Office of Youth Development will access in FY06 to fund a variety of expenses, including community-based services for juvenile offenders.
- The 2004 Overcollections Fund received \$2.5 million in State General Fund to provide a pool of funding available for the compromise or settlement of the claim in the “Gordean Adella Wingfield, et al v. State of Louisiana through the Department of Transportation and Development, Wilson Trailer Co., Inc.” lawsuit.
- Act 138 authorized the deposit of \$250,000 State General Fund into the Evangeline Parish Recreational District Support Fund that this act created as a vehicle to appropriate funding for the Evangeline Parish Recreational District through the end of FY06. The Fund will be abolished on June 30, 2006.

Various means of financing substitutions authorized in Act 138 resulted in a net increase of \$380,418 in State General Fund, \$369,195 in Interagency Transfers, and \$555,699 in Statutory Dedications, and in a net decrease of \$1.3 million in Federal Funds.

A total of \$16.1 million was appropriated in Act 138 to pay various final consent, stipulated, and other judgments, settlements, or mediation agreement against the state in FY05, including recommendations to pay rendered by the Board of Tax Appeals, and legal fees pursuant to court findings or recommendations by the Attorney Fee Review Board.

Capital outlay expenditures in FY05 increased by \$40 million per Act 138.

- A total of \$36.5 million in State General Fund was appropriated in Act 138 for capital and infrastructure improvements funded via the Economic Development Award Program, library and scientific acquisitions at higher education institutions, equipment needs at the state hospitals, and classroom technology for local schools.
- Act 138 authorized a total of \$3.2 million in supplemental funding for various capital outlay projects from the interest earnings from the investment of general obligation bond or note proceeds in the Comprehensive Capital Outlay Escrow Account.
- One capital outlay credit change order was authorized in the amount of \$344,480 for a drainage project in Mandeville.

Budget reductions totaling nearly \$85 million, \$32.6 million State General Fund, were applied in Act 138 to various state agencies to capture the savings realized from the 1.75 percent across-the-board reductions ordered by the Governor on the Executive Branch in the middle of FY05.

Act 138 authorized the commissioner of administration to reduce \$1.3 million in State General Fund appropriations for judgments in the FY04 Supplemental Appropriation Act (Act 446 of the 2004 Regular Session of the Legislature) that were carried forward to FY05.

In addition, Act 138 removed \$2 million (\$712,451 State General Fund) in unallotted or unallocated funding resulting from personnel reductions pursuant to R.S. 11:441(A)(4), the Early Retirement and Payroll Reduction Act of 2004.

Act 138 provided for a total appropriation of \$64.6 million to the state treasurer to retire state debt in advance of maturity through redemption, purchase or repayment prior to the end of FY05. Roughly half, \$32.9 million, was State General Fund and the remainder, \$31.7 million, was appropriated out of the Mineral Revenue Audit and Settlement Fund. The State Bond Commission adopted a plan for the debt to be retired.

Act 138 also voided the \$200,000 appropriation in Act 1 of 2005 for expenses related to the relocation of a DOTD building in Livingston Parish and amended a \$50,000 appropriation for the town of Arcadia.

Finally, effective July 1, 2005, Act 138 authorized the Department of Education to use the \$12.5 million balance deposited into the TEACH Fund to finance a one-time salary supplement for certain certificated personnel at local and state schools in an amount not to exceed \$530.

- The first portion of funding was allocated to those public school districts whose certificated personnel would not have otherwise received the average \$530 pay increase pursuant to Senate Concurrent Resolution No. 125 of the 2005 Regular Session of the Legislature.
- The other portion of the monies was allocated for a \$530 one-time salary supplement to certificated personnel the following budget units and activities: LSU Lab School; Southern University Lab School; Type 2 Charter Schools; Type 5 Charter Schools; Louisiana School for the Visually Impaired; Louisiana School for the Deaf; Louisiana Special Education Center; Louisiana School for Math, Science and the Arts; New Orleans Center for the Creative Arts – Riverfront; Special School Districts; and Department of Public Safety and Corrections, Office of Youth Development.
- The Act also provided that any future supplemental payments made to the certificated personnel covered by this appropriation would require additional appropriations.

## **Significant Legislation Handled in the Senate Finance Committee during the 2005 Regular Session of the Legislature**

**Act 280 (SB 44 by Senator Lentini) of the 2005 Regular Session of the Legislature** requires that prior to the commissioner of administration authorizing the purchase of a luxury or full-size vehicle for personal assignment by a statewide elected official, the Joint Legislative Committee on the Budget (JLCB) has to approve the purchase. The governor and lieutenant governor are exempt from the provisions of the Act.

**Act 151 (SB 216 by Senator Dupre) of the 2005 Regular Session of the Legislature** is a measure designed to protect the livelihoods of the many soldiers from Louisiana on active duty and their families. The bill establishes the Military Family Assistance Fund, which is financed with direct donations and tax refund donations from businesses and individuals. Monies from the fund may provide need-based financial assistance to the families and will provide an additional one-time payment of up to \$2,500 to families who have lost a soldier or who have a family member with a permanent, major disability as a result of their military service.

**Act 329 (SB 132 by Senator McPherson) of the 2005 Regular Session of the Legislature** is the legislature's effort to be better informed about obligations of the state related to Cooperative Endeavor Agreements (CEA) and pending claims against the state. A CEA that is expected to result in spending state revenue of one million dollars or more a year must be reported to the JLCB prior to confection of the CEA. Excluded from this requirement are projects in the Capital Outlay Act, projects pursuant to the Governor's economic development Rapid Response Program, and coastal restoration projects. The Act also requires the Attorney General to report quarterly to the litigation subcommittee of JLCB the status of claims against the state reasonably expected to result in a settlement of over one million dollars.

**Act 178 (HB 432 by Representative Alario) of the 2005 Regular Session of the Legislature** authorizes the use of the request for proposal process for the procurement in any commodity area. The Act was also the vehicle providing for the negotiation of a contract for expansion of a convention center in a parish with a population of over 450,000; JLCB approval is required prior to execution of the contract and it also provides for resolution of claims relative to the award of the public bid. The Act also authorizes the prequalification of bidders for the renovation of the LSU Student Union at Baton Rouge; it requires awarding the contract for the lowest responsible bid but allows for the bid to be for overhead and profit or for a lump sum and further requires JLCB approval.

**Act 247 (HB 456 by Representative Alario) of the 2005 Regular Session of the Legislature** provides for certain changes to the content and format of the Governor's Executive Budget. The budget would present functions and operations of state government at a budget unit level rather than at a program level and contain a description of the significant issues and major programmatic financial changes from the existing operating budget by department for the ensuing fiscal year. Details regarding programs, performance, and budget history would still remain part of the supporting documents.

**Act 70 (HB 592 by Representative Quezaire) of the 2005 Regular Session of the Legislature** reduces the time for the attorney general to certify the expenditures to seven days following final passage of an appropriation bill in an effort to address the Department of Transportation and Development's ongoing problems in procuring materials and providing services in highway district offices in a timely manner. Previously, before Transportation Trust Fund monies could be expended, the attorney general had to certify within thirty days of the effective date of the act that an appropriation from the Fund was for a purpose as authorized by the state Constitution.

**Act 256 (HB 654 by Representative Montgomery) of the 2005 Regular Session of the Legislature** authorizes the use of revenues from unclaimed property to secure bonds to finance the construction of the remaining north and south portions of I-49.

**Act 453 (HB 715 by Representative Salter) of the 2005 Regular Session of the Legislature** authorizes the state to forgive over \$7 million that the Sabine River Authority owes to the state for a \$10 million bond issue by the state on behalf of the authority in 1975 for the Diversion Channel and Water Distribution System for water from the Sabine River to certain areas of Calcasieu Parish. Any funds recovered because of such debt forgiveness must be used for repairs and operating expenses of the Channel and Distribution System. The Act's effective date is July 1, 2008.

**Act 398 (HB 460 by Representative Alario) of the 2005 Regular Session of the Legislature** establishes the Rapid Response Fund within the state Treasury. Designed for purposes of economic development, each year the fund shall receive enough monies to bring the unobligated balance of the fund to \$10 million. Monies are to be used for the immediate funding of economic development projects which may be necessary to secure the creation or retention of jobs. A report on the use of the fund is to be given to JLCB twice a year.

**Act 464 (HB 840 by Representative Alario) of the 2005 Regular Session of the Legislature**, increases the amount of state sales tax flows to tourism by \$400,000 each year until FY10, at which time a new cap of \$19.5 million will go into effect. The Department of Culture, Recreation and Tourism receives a portion of the state sales tax to be used for tourism purposes. The tax set aside for that purpose generates between \$19 million and \$20 million each year, but the department had been limited to receiving no more than \$17.5 million annually.

## Joint Legislative Committee on the Budget Requirements in Act 16

Throughout the General Appropriation Act (Act 16), there are appropriations contingent upon or preamble provisions specifying Joint Legislative Committee on the Budget (JLCB) action or review. As warranted, notification to, submission of reports to, and/or review by JLCB may be necessary from departments and/or the Division of Administration. The following section lists such matters and provides page and line numbers in Act 16 for easy reference.

### Preamble

- **Page 1, lines 13, 15-16, 20-21, and 22**

Section 2. All money from federal, interagency, statutory dedications, or self-generated revenues shall be available for expenditure in the amounts herein appropriated. Any increase in such revenues shall be available for allotment and expenditure by an agency on approval of an increase in the appropriation by the commissioner of administration and the **Joint Legislative Committee on the Budget**. Any increase in such revenues for an agency without an appropriation from the respective revenue source shall be incorporated into the agency's appropriation on approval of the commissioner of administration and the **Joint Legislative Committee on the Budget**. In the event that these revenues should be less than the amount appropriated, the appropriation shall be reduced accordingly. To the extent that such funds were included in the budget on a matching basis with state funds, a corresponding decrease in the state matching funds may be made. Any federal funds which are classified as disaster or emergency may be expended prior to approval of a BA-7 by the **Joint Legislative Committee on the Budget** upon the secretary's certifying to the governor that any delay would be detrimental to the state. The **Joint Legislative Committee on the Budget** shall be notified in writing of such declaration and shall meet to consider such action, but if it is found by the committee that such funds were not needed for an emergency expenditure, such approval may be withdrawn and any balance remaining shall not be expended.

- **Page 2, line 9**

Section 3.A. Notwithstanding any other law to the contrary, the functions of any department, agency, program, or budget unit of the executive branch, except functions in departments, agencies, programs, or budget units of other statewide elected officials, may be transferred to a different department, agency, program, or budget unit for the purpose of economizing the operations of state government by executive order of the governor. Provided, however, that each such transfer must, prior to implementation, be approved by the commissioner of administration

and **Joint Legislative Committee on the Budget**. Further, provided that no transfers pursuant to this Section shall violate the provisions of Title 36, Organization of the Executive Branch of State Government.

- **Page 2, lines 21-22**

C. Notwithstanding any other law to the contrary and before the commissioner of administration shall authorize the purchase of any luxury or full-size motor vehicle for personal assignment by a statewide elected official other than the governor or lieutenant governor, such official shall first submit the request to the **Joint Legislative Committee on the Budget** for approval. Luxury or full-sized motor vehicle shall mean or refer to such vehicles as defined or used in rules or guidelines promulgated and implemented by the Division of Administration.

- **Page 3, line 14**

B. Unless explicitly stated otherwise, each of the program objectives and the associated performance indicators contained in this Act shall reflect the key performance standards to be achieved for the 2004-2005 Fiscal Year and shall constitute the set of key objectives and key performance indicators which are reportable quarterly for Fiscal Year 2004-2005 under the Louisiana Governmental Performance and Accountability Act, particularly R.S. 39:2(23) and (24) and R.S. 39:87.3. In the event that a department, agency, program, or governing board or commission is directed by language in this Act to prepare and submit new or modified performance information, including but not limited to key and supporting objectives, performance indicators, and performance standards, such submission shall be in a format and method to be determined by the commissioner of administration. Unless otherwise specified in this Act, the submission of new or modified performance information shall be made no later than August 15, 2004. Such performance information shall be subject to the review and approval of both the Division of Administration and the Performance Review Subcommittee of the **Joint Legislative Committee on the Budget**.

- **Page 3, lines 19 and 22-23**

Section 6. Unless expressly provided in this Act, funds cannot be transferred between departments or schedules receiving appropriations. However, any unencumbered funds which accrue to an appropriation within a department or schedule of this Act due to policy, programmatic, or cost-saving/avoidance measures may, upon approval by the commissioner of administration and the **Joint Legislative Committee on the Budget**, be transferred to any other appropriation within that same department or schedule. Each request for the transfer of funds pursuant to this Section shall include full written justification. The commissioner of administration, upon approval by the **Joint Legislative Committee on the Budget**, shall have the authority to transfer between departments funds associated with lease agreements between the state and the Office Facilities Corporation.

- **Page 4, lines 11-12**

(3) The commissioner of administration, upon approval of the **Joint Legislative Committee on the Budget**, shall have the authority to transfer positions between departments, agencies, or programs or to increase or decrease positions and associated funding necessary to effectuate such transfers.

- **Page 4, lines 26-27**

(5) The number of authorized positions approved in this Act for each department, agency, or program may also be increased by the commissioner of administration when sufficient documentation of other necessary adjustments is presented and the request is deemed valid. The total number of such positions so approved by the commissioner of administration may not be increased in excess of three hundred fifty. However, any request which reflects an annual aggregate increase in excess of twenty-five positions for any department, agency, or program must also be approved by the **Joint Legislative Committee on the Budget**.

- **Page 7, line 26**

Section 15. Any unexpended or unencumbered reward monies received by any state agency during Fiscal Years 2003-2004 and 2004-2005 pursuant to the Exceptional Performance and Efficiency Incentive Program may be carried forward for expenditure in Fiscal Year 2005-2006, in accordance with the respective resolution granting the reward. The commissioner of administration shall implement any internal budgetary adjustments necessary to effectuate incorporation of these monies into the respective agencies' budgets for Fiscal Year 2005-2006, and shall provide a summary list of all such adjustments to the Performance Review Subcommittee of the **Joint Legislative Committee on the Budget** by September 15, 2005.

- **Page 8, lines 6, 7, 8, 10, 13, and 15**

Section 17. All BA-7 budget transactions, including relevant changes to performance information, submitted in accordance with this Act or any other provisions of law which require approval by the **Joint Legislative Committee on the Budget** or joint approval by the commissioner of administration and the **Joint Legislative Committee on the Budget** shall be submitted to the commissioner of administration, **Joint Legislative Committee on the Budget** and Legislative Fiscal Office a minimum of sixteen working days prior to consideration by the **Joint Legislative Committee on the Budget**. Each submission must include full justification of the transaction requested, but submission in accordance with this deadline shall not be the sole determinant of whether the item is actually placed on the agenda for a hearing by the **Joint Legislative Committee on the Budget**. Transactions not submitted in accordance with the provisions of this Section shall only be considered by the commissioner of administration and **Joint Legislative Committee on the Budget** when extreme circumstances requiring immediate action exist.

- **Page 9, line 16**

B.(1) No funds appropriated in this Act shall be transferred to a public or quasi-public agency or entity which is not a budget unit of the state unless the intended recipient of those funds presents a comprehensive budget to the legislative auditor and the transferring agency showing all anticipated uses of the appropriation, an estimate of the duration of the project, and a plan showing specific goals and objectives for the use of such funds, including measures of performance. In addition, and prior to making such expenditure, the transferring agency shall require each recipient to agree in writing to provide written reports to the transferring agency at least every six months concerning the use of the funds and the specific goals and objectives for the use of the funds. In the event the transferring agency determines that the recipient failed to use the funds set forth in its budget within the estimated duration of the project or failed to reasonably achieve its specific goals and objectives for the use of the funds, the transferring agency shall demand that any unexpended funds be returned to the state treasury unless approval to retain the funds is obtained from the division of administration and the **Joint Legislative Committee on the Budget**. Each recipient shall be audited in accordance with R.S. 24:513. If the amount of the public funds received by the provider is below the amount for which an audit is required under R.S. 24:513, the transferring agency shall monitor and evaluate the use of the funds to ensure effective achievement of the goals and objectives.

- **Page 9, line 30**

(3) Notwithstanding any other provision of law or this Act to the contrary, if the name of an entity subject to Paragraph (B) of this Section is misspelled or misstated in this Act, the state treasurer may pay the funds appropriated to the entity without obtaining the approval of the **Joint Legislative Committee on the Budget**, but only after the entity has provided proof of its correct legal name to the state treasurer and transmitted a copy to the staffs of the House Committee on Appropriations Committee and the Senate Committee on Finance.

- **Page 11, lines 6-7**

(5) In the event that any of the additional sources identified as “GOVERNOR’S SUPPLEMENTARY BUDGET RECOMMENDATIONS” in Section 18 of this Preamble, is not implemented or appropriated, each budget unit affected by such event shall submit new or modified performance information, including but not limited to key and supporting objectives, performance indicators, and performance standards. Such submission shall be in a format and method to be determined by the commissioner of administration and shall identify and reflect the performance impacts of the final appropriation for each affected program. Unless otherwise specified in this Act, the submission of new or modified performance information shall be made no later than August 15, 2005. Such performance information shall be subject to the review and approval of both the Division of Administration and the Performance Review Subcommittee of the **Joint Legislative Committee on the Budget**.



## Department of Public Safety and Corrections – Corrections Services

### Preamble

- **Page 68, lines 41-42**

Notwithstanding any law to the contrary, the secretary of the Department of Public Safety and Corrections – Corrections Services may transfer, with the approval of the Commissioner of Administration via midyear budget adjustment (BA-7 Form), up to twenty-five (25) authorized positions and associated personal services funding from one budget unit to any other budget unit and/or between programs within any budget unit within this schedule. Not more than an aggregate of 100 positions and associated personal services may be transferred between budget units and/or programs within a budget unit without the approval of the **Joint Legislative Committee on the Budget**.

- **Page 68, line 44**

Provided, however, that the department shall submit a monthly status report to the Commissioner of Administration and the **Joint Legislative Committee on the Budget**, which format shall be determined by the Division of Administration. Provided, further, that this report shall be submitted via letter and shall include, but is not limited to, unanticipated changes in budgeted revenues, projections of inmate population and expenditures for Sheriffs' Housing of State Inmates, and any other such projections reflecting unanticipated costs.

## Department of Public Safety and Corrections – Youth Services

### Preamble

- **Page 94, lines 40-41**

Notwithstanding any law to the contrary, the deputy secretary of the Department of Public Safety and Corrections-Youth Services, with the approval of the commissioner of administration, may transfer via midyear budget adjustment (BA-7 Form) up to twenty-five (25) authorized positions and associated personnel services funding between programs within this Schedule. Not more than an aggregate of 50 positions and associated personnel services funding may be transferred between programs without the approval of the **Joint Legislative Committee on the Budget**.

## Department of Health and Hospitals

### Preamble

- **Page 97, line 16**

For Fiscal Year 2005-2006, cash generated by each budget unit within Schedule 09 may be pooled with any other budget unit within Schedule 09 to avoid a cash deficit. No budget unit may expend more revenues than are appropriated to it in this Act except upon the approval of the Division of Administration and the **Joint Legislative Committee on the Budget**, or as may otherwise be provided for by law.

- **Page 97, line 31**

The secretary shall implement reductions in the Medicaid program as necessary to control expenditures to the level approved in this Schedule. Notwithstanding any law to the contrary, the secretary is hereby directed to utilize various cost-containment measures to accomplish these reductions, including but not limited to precertification, preadmission screening, diversion, fraud control and utilization review, and other measures as allowed by federal law. Notwithstanding any law to the contrary and specifically R.S. 39:82(E), for Fiscal Year 2005-2006 any over-collected funds, including interagency transfers, fees and self-generated revenues, federal funds, and surplus statutory dedicated funds generated and collected by any agency in Schedule 09 during Fiscal Year 2004-2005 may be carried forward and expended in Fiscal Year 2005-2006 in the Medical Vendor Program. Revenues from refunds and recoveries in the Medical Vendor Program are authorized to be expended in Fiscal Year 2005-2006. No such carried forward funds, which are in excess of those appropriated in this Act, may be expended without the express approval of the Division of Administration and the **Joint Legislative Committee on the Budget**.

- **Page 97, lines 38-39**

Notwithstanding any law to the contrary, the secretary of the Department of Health and Hospitals may transfer, with the approval of the commissioner of administration via midyear budget adjustment (BA-7 Form), up to twenty-five (25) authorized positions and associated personal services funding from one budget unit to any other budget unit and/or between programs within any budget unit within this schedule. Not more than an aggregate of 100 positions and associated personal services may be transferred between budget units and/or programs within a budget unit without the approval of the **Joint Legislative Committee on the Budget**.

- **Page 97, line 47**

In the event this Act provides for increases or decreases in funds for agencies within Schedule 09 which would impact services provided by 09-300 (Jefferson Parish Human Services Authority), 09-301 (Florida Parishes Human Services Authority), 09-302 (Capital Area Human Services

District), and 09-304 (Metropolitan Human Services District), the commissioner of administration is authorized to transfer funds on a pro rata basis within the budget units contained in Schedule 09 in order to effect such changes. The commissioner shall provide written documentation of all such transfers approved after the initial notifications of the appropriation to the **Joint Legislative Committee on the Budget**.

- **Page 97, lines 49-50**

Provided, however, that the department shall submit a plan detailing the programmatic allocations of appropriations for the Medical Vendor Program in this Act to the **Joint Legislative Committee on the Budget** for its review no later than October 1, 2005, and monthly thereafter. The report shall present a detailed account of actual Medical Vendor Program expenditures for Fiscal Year 2004-2005 from schedule 09-306; this report shall include the department's most recent projection of comparable Medical Vendor Program expenditures for Fiscal Year 2005-2006.

### **Medical Vendor Payments**

- **Page 105, lines 40-41**

Provided, however, that this appropriation shall not become effective until a cooperative endeavor agreement is entered into between the Louisiana State University Health Care Services Division and the city of New Orleans for the joint operation of any public health clinic in the city of New Orleans. The Louisiana State University Health Care Services Division may enter into agreements with the city of New Orleans to receive non-state funds as match for the federal portion of Medicaid Uncompensated Care payments appropriated herein and may enter into employment and other agreements as deemed appropriated to jointly operate public health clinics with the city of New Orleans. Any agreement with the city of New Orleans to jointly operate a public health clinic must be approved by the **Joint Legislative Committee on the Budget** prior to implementation.

### **Office for Citizens with Developmental Disabilities**

- **Page 124, line 22**

Notwithstanding the provisions of R.S. 39:73C)(1), no budget authority may be transferred from any developmental center program unit to administration or regional office program units without approval of the **Joint Legislative Committee on the Budget**. Procurement and billing activities for the developmental center program units will remain within the developmental centers.

## Department of Social Services

### Preamble

- **Page 126, lines 42-43**

Notwithstanding any law to the contrary, the secretary of the Department of Social Services may transfer, with the approval of the commissioner of administration, via midyear budget adjustment (BA-7 Form), up to twenty-five (25) authorized positions and associated personnel services funding from one budget unit to any other budget unit and/or between programs within any budget unit within this Schedule. Not more than an aggregate of 100 positions and associated personnel services funding may be transferred between budget units and/or programs within a budget unit without the approval of the **Joint Legislative Committee on the Budget**.

## Higher Education

### Preamble

- **Page 162, lines 26-27**

Provided, however, that Fees and Self-generated Revenues that are to be increased for Fiscal Year 2005-2006 contingent upon the passage of any legislative instrument in the 2005 Regular Session of the Louisiana Legislature or any approved increase by the **Joint Legislative Committee on the Budget** shall be included as part of the appropriation for the respective board of supervisors and system allocation upon the enactment of such legislation or approval.

### Louisiana State University Board of Supervisors

- **Page 167, lines 30-31**

Out of the funds appropriated herein to the LSU Board of Supervisors, the following amounts shall be allocated to each higher education institution. The State General Fund and Total Financing allocation shall only be changed upon approval of the **Joint Legislative Committee on the Budget**.

## **Southern University Board of Supervisors**

- **Page 180, lines 3-4**

Out of the funds appropriated herein to the Southern University Board of Supervisors the following amounts shall be allocated to each higher education institution. The State General Fund and Total Financing allocation shall only be changed upon approval of the **Joint Legislative Committee on the Budget**.

## **University of Louisiana Board of Supervisors**

- **Page 186, line 17**

Out of the funds appropriated herein to the University of Louisiana Board of Supervisors (ULS), the following amounts shall be allocated to each higher education institution. The State General Fund and Total Financing allocation shall only be changed upon approval of the **Joint Legislative Committee on the Budget**.

## **Louisiana Community and Technical Colleges Board of Supervisors**

- **Page 197, lines 3-4, 11-12, and 16-17**

Out of the funds appropriated herein to the Board of Supervisors of Community and Technical Colleges, the following amounts shall be allocated to each higher education institution.

In the event that HB 505 of the 2005 Regular Session of the Legislature is enacted into law, the Board of Supervisors of the Community and Technical Colleges System shall submit its reorganization plans for a technical division of the **Joint Legislative Committee on the Budget** no later than February 1, 2006. Regardless of whether HB 505 of the 2005 Regular Session is enacted into law, of the amounts allocated herein for the Louisiana Technical College, the Louisiana Community and Technical Colleges Board of Supervisors shall ensure that at least fifty percent (50%) of all educational and general expenditures of the Louisiana Technical College are in the area of instruction. The functional definition of instruction shall be determined by the Board of Regents and shall be consistent with its existing financial policies and procedures. Further, the Louisiana Community and Technical Colleges Board of Supervisors shall submit to the **Joint Legislative Committee on the Budget** a monthly expense report indicating monthly and year-to-date budgeted and actual educational and general expenditures for the Louisiana Technical College, including the Chancellor's Office and all campuses. - **Vetoed July 14, 2005**

Any and all State General Fund and Total Financing allocations for any higher education institution in the Community and Technical Colleges Systems shall only be changed upon approval of the **Joint Legislative Committee on the Budget**.

- **Page 197, lines 23-24**

Provided, however, that of the funds appropriated herein for vocational-technical training at state secure adult correctional facilities, such programs shall be provided at a level not below that which was provided in July, 2003. Further provided, that prior to termination or reduction of any vocational-technical training as required by this Act, a plan shall be submitted to the Department of Public Safety and Corrections-Corrections Services, the commissioner of administration, the Board of Regents, and the **Joint Legislative Committee on the Budget** for review and approval.

## Department of Education

### Subgrantee Assistance

- **Page 231, lines 20-21**

Provided, however, that of the State General Fund (Direct) appropriated for Type 2 Charter Schools, the amount of \$24,530,345 is to be allocated to existing Type 2 Charter Schools. After allocations are made for existing Type 2 Charter Schools and funds are available, the Board of Elementary and Secondary Education may make allocations to other approved Type 2 Charter Schools, subject to review and revision by the **Joint Legislative Committee on the Budget**.

## 2005 Enacted Legislation with an Impact upon the Joint Legislative Committee on the Budget

In addition to the requirements in Act 16 relative to the Joint Legislative Committee on the Budget (JLCB), there were a number of bills passed by the Legislature during the 2005 Regular Session that also require action by the Budget Committee.

Bill No.	Act No.	Author	Impact	Effective Date
HB 432	Act 178	Alario, et al.	<p>Relative to state procurement, provides that the division of administration may prequalify bidders for historic restoration projects which shall include the renovation of the LSU Student Union on the Baton Rouge campus. Such bid for the Student Union may be for overhead and profit or lump sum. Prior to the execution of the contract it shall be submitted to the Joint Legislative Committee on the Budget (JLCB) for review and approval.</p> <p>This Act also provides relative to the expansion of convention centers in parishes with a population of 450,000 or more, which have been involved in litigation. Provides that the contract for such expansions may be negotiated with respect to price, conditions, and terms. Requires prior to execution of the contract that it shall be submitted to JCLB for review and approval; such approval shall resolve any and all claims arising out of the ward of the public bid.</p>	Upon Signature of the Governor
HB 796	Act 461	Morrell	Provides that the Act which provided for the creation of the Northeast Delta Learning Center shall not become effective until the state or any local government or a local governmental entity with the approval of JLCB and the commissioner of administration assumes ownership and possession of the property formerly know as the Swanson Correction Center for Youth - Madison Parish Unit at Tallulah.	Upon signature of Governor

Bill No.	Act No.	Author	Impact	Effective Date
SB 44	Act 280	Lentini, et al.	Relative to the purchase of luxury motor vehicles for personal use by statewide elected officials, except the Governor and Lieutenant Governor, requires that such requests shall first be to JLCB for approval.	July 1, 2005
SB 132	Act 329	McPherson	Establishes the State Resources Accountability Act that requires the reporting of certain information on cooperative endeavors to the members of JLCB and reporting on litigation settlements to JLCB's Litigation Subcommittee.	January 1, 2006
SB 216	Act 151	Dupre, et al.	Provides procedures for extending financial assistance to families of activated military personnel based upon need. Creates the Louisiana Military Family Assistance Fund in the state treasury and provides funds to deposited into the fund. Provides for the use of monies in the fund. Creates the Louisiana Military Family Assistance Board in the Department of Social Services to administer monies in the fund.  Directs the Board to enter into a cooperative endeavor agreement with a third party administrator to accomplish administration of family assistance claims. The agreement with the third party shall not be valid until approved by JLCB.	Upon signature of Governor
SB 266	Act 404	Jones	Relative to the Strategic Plan to Combat Poverty, requires the Department of Revenue (DOR) to conduct a feasibility study on requiring businesses that receive certain tax credits or benefits to provide health insurance and other employee benefits. The Act requires DOR to report to JLCB, the Senate Committee on Revenue and Fiscal Affairs and the House Committee on Ways and Means on the results of the study and any proposed legislation necessary to implement the findings, no later than February 1, 2006.	August 15, 2005



Bill No.	Act No.	Author	Impact	Effective Date
SB 270	Act 154	McPherson	<p>Relative to state law regulating applications by the Department of Health and Hospitals (DHH) to the U.S. Department of Health and Human Services for certain waivers, the Act removes the limitation to Health Insurance Flexibility and Accountability (HIFA) waiver provisions and allows an initiative for uninsured persons in families earning below 200% of the federal poverty level.</p> <p>Provides for placing all of the state's receipts from federal disproportionate share payments into a funding pool. Further provides for appropriations to be made in priority order.</p> <p>The Act provides that the amount of funding allocated to the priority categories shall be determined by specific annual appropriation by the Legislature or by budget adjustments approved by JLCB.</p>	Upon signature of Governor
SB 311	Act 502	Boasso	<p>Creates the Louisiana Waterways Infrastructure and Development Fund in the state treasury. Creates the Louisiana Waterways Infrastructure and Development Bank and the board of directors to administer financing of capital waterside infrastructure and development projects.</p> <p>Provides for the board, subject to the review and approval of JLCB, to make and execute contracts and to make or enter into loan agreements or other forms of financial assistance. Issuing bonds or other forms of indebtedness shall be subject to the review and approval of JLCB and the State Bond Commission.</p> <p>Further requires the board to report annually on its financial operations to JLCB, the Legislative Fiscal Office, the Legislative Auditor, and the Division of Administration.</p>	July 1, 2005
SB 323	Act 343	Jackson	<p>Relative to the state Indigent Defense Assistance Board, the Act requires that the board submit a report to JLCB, on or before March 1 each year, which outlines the expenditures of local, state, and federal funds for the previous calendar year.</p>	August 15, 2005